

STATE OF IDAHO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended

JUNE 30, 1997

GENERAL PURPOSE FINANCIAL STATEMENTS



“BRUNEAU DUNES STATE PARK”
photo courtesy of Idaho Parks and Recreation

Southwestern Idaho ~ Rising
some 470 feet, Idaho's Bruneau Dunes
State Park lays claim to the tallest single
structured sand dunes in America ~ Within
an 81 mile stretch of the Snake River Canyon
can be found the Birds of Prey National Conservation
Area. Constant updrafts allow rare raptors to prey off the
desert floor and proliferate as nowhere else on earth ~ Boise,
the largest metropolitan area for 300 miles, is the seat of state
government and boasts a geothermally heated Capitol.

State of Idaho
Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1997

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Colleges and Universities			
Assets and Other Debits											
Cash and Cash Equivalents	\$182,274,931	\$274,602,440	\$56,505,663	\$68,949,585	\$303,420,308			\$55,303,475	\$941,056,402	\$28,730,926	\$969,787,328
Investments	730,332	25,081,703	392,635,908		6,050,104,543			120,818,144	6,589,370,630	298,902,955	6,888,273,585
Accounts Receivable, Net	95,378,220	26,571,584	7,955,724	439,011	70,852,572			44,563,191	245,760,302	66,485	245,826,787
Due from Other Funds	574,084	1,128,769	429,441	1,483,024				16,204,610	19,819,928		19,819,928
Due from Other Governments	4,023,959	108,493,755							112,517,714		112,517,714
Deferred Bond Financing Costs								2,178,128	2,178,128	15,678,000	17,856,128
Notes and Mortgages Receivable	759,978	57,484,145			4,308,867			20,777,684	83,330,674	993,772,000	1,077,102,674
Grand Prizes Receivable			93,992,010						93,992,010		93,992,010
Other Assets	2,029,598	2,706,410	12,598,459	1,209,170	13,494,542			7,850,640	39,888,819	1,257,855	41,146,674
Fixed Assets, Net			9,387,354	3,099,586	4,335,287	\$652,488,939		786,017,775	1,455,328,941	9,023,101	1,464,352,042
Amount to be Provided for Long-Term Debt							\$77,310,935		77,310,935		77,310,935
Amount to be Provided for Capital Leases							3,702,718		3,702,718		3,702,718
Total Assets and Other Debits	\$285,771,102	\$496,068,806	\$573,504,559	\$75,180,376	\$6,446,516,119	\$652,488,939	\$81,013,653	\$1,053,713,647	\$9,664,257,201	\$1,347,431,322	\$11,011,688,523
Liabilities, Equity and Other Credits											
Liabilities											
Accounts Payable and Other Liabilities	\$37,956,162	\$168,588,419	\$70,735,681	\$5,095,013	\$13,027,364		\$26,200,935	\$51,908,366	\$373,511,940	\$4,513,990	\$378,025,930
Deposits	462,992	8,802,786	26,252,909		18,689,302			638,004	54,845,993	15,982,000	70,827,993
Due to Other Funds	585,962	2,797,603	5,446	226,307				16,204,610	19,819,928		19,819,928
Due to Other Governments	11,637,840	1,105			591,078,318				602,717,263		602,717,263
Deferred Revenue	5,423,204	11,711,061		5,245,971	7,136,404			6,728,363	36,245,003	4,365	36,249,368
Notes, Bonds and Contracts Payable							51,110,000	135,690,581	186,800,581	1,204,192,000	1,390,992,581
Grand Prizes Payable			93,992,010						93,992,010		93,992,010
Policy Claim Liabilities			150,330,720	26,283,728					176,614,448	15,000	176,629,448
Capital Leases				1,318,238			3,702,718	5,787,182	10,808,138		10,808,138
Total Liabilities	\$6,066,160	\$191,900,974	\$41,316,766	\$8,169,257	\$629,931,388		\$81,013,653	\$216,957,106	\$1,555,355,304	\$1,224,707,355	\$2,780,062,659
Equity and Other Credits											
Other Credits:											
Investment in General Fixed Assets						\$652,488,939		644,540,011	1,297,028,950		1,297,028,950
Equity:											
Contributed Capital				164,500					164,500		164,500
Retained Earnings:											
Reserved for Bond Indentures										33,706,000	33,706,000
Unreserved			232,187,793	36,846,619					269,034,412	89,017,967	358,052,379
Fund Balances:											
Reserved for Encumbrances	26,532,258	53,078,358							79,610,616		79,610,616
Reserved for Employees' Pension Benefits					4,824,925,985				4,824,925,985		4,824,925,985
Reserved for Loans and Notes	759,978	57,484,145							58,244,123		58,244,123
Reserved for Endowment Principal					635,127,254				635,127,254		635,127,254
Unreserved Fund Balance	202,412,706	193,605,329			356,531,492			192,216,530	944,766,057		944,766,057
Total Equity and Other Credits	\$229,704,942	\$304,167,832	\$232,187,793	\$37,011,119	\$5,816,584,731	\$652,488,939		\$836,756,541	\$8,108,901,897	\$122,723,967	\$8,231,625,864
Total Liabilities, Equity and Other Credits	\$285,771,102	\$496,068,806	\$573,504,559	\$75,180,376	\$6,446,516,119	\$652,488,939	\$81,013,653	\$1,053,713,647	\$9,664,257,201	\$1,347,431,322	\$11,011,688,523

The accompanying notes are an integral part of the financial statements.

State of Idaho
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust
For the Fiscal Year Ended June 30, 1997

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues				
Sales Tax	\$619,159,681	\$4,800,002		\$623,959,683
Individual and Corporate Taxes	971,289,474			971,289,474
Other Taxes	40,776,412	328,149,857	\$109,406,385	478,332,654
Licenses, Permits and Fees	8,671,024	134,735,670		143,406,694
Sale of Services, Goods and Property	5,071,959	37,745,982	189,000	43,006,941
Grants and Contributions	18,534,643	876,478,386	1,036,792	896,049,821
Interest and Other Investment Income	68,657,232	11,575,973	21,307,553	101,540,758
Rent and Lease Income	5,175,575	7,144,686		12,320,261
Miscellaneous Income	26,680,906	15,317,050	368,798	42,366,754
Total Revenues	1,764,016,906	1,415,947,606	132,308,528	3,312,273,040
Expenditures				
Current				
General Government	350,892,129	32,317,008		383,209,137
Public Safety and Corrections	121,629,840	35,835,479		157,465,319
Agriculture and Economic Development	20,514,221	117,338,407	107,841,303	245,693,931
Natural Resources	27,650,094	83,048,823		110,698,917
Health	11,239,151	584,481,952		595,721,103
Education	973,779,587	15,234,724		989,014,311
Human Services	502,017	140,163,831		140,665,848
Transportation	7,361,432	243,794,971		251,156,403
Capital Outlay	67,859,848	190,836,950	1,092,398	259,789,196
Intergovernmental	51,353,113	138,318,123		189,671,236
Total Expenditures	1,632,781,432	1,581,370,268	108,933,701	3,323,085,401
Revenues Over (Under) Expenditures	131,235,474	(165,422,662)	23,374,827	(10,812,361)
Other Financing Sources (Uses)				
Operating Transfers In	834,570,031	257,469,035	4,421	1,092,043,487
Operating Transfers Out	(989,492,302)	(72,540,746)	(2,581)	(1,062,035,629)
Total Other Financing Sources (Uses)	(154,922,271)	184,928,289	1,840	30,007,858
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(23,686,797)	19,505,627	23,376,667	19,195,497
Fund Balances - Beginning of Year, as Adjusted	253,391,739	284,662,205	333,154,825	871,208,769
Fund Balances - End of Year	\$229,704,942	\$304,167,832	\$356,531,492	\$890,404,266

The accompanying notes are an integral part of the financial statements.

State of Idaho
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Budgetary Basis) - General Fund and Special Revenue Funds
All Budgeted Funds
For the Fiscal Year Ended June 30, 1997

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Sales Tax	\$619,831,841	\$619,831,841		\$4,800,002	\$4,800,002	
Individual Income Tax	830,706,279	830,706,279				
Corporate Income Tax	138,276,631	138,276,631				
Premium Tax				53,534,856	53,534,856	
Other Taxes	39,394,369	39,394,369		258,083,628	258,083,628	
Licenses, Permits and Fees	8,684,403	8,684,403		139,184,076	139,184,076	
Sales of Services, Goods and Property	4,164,000	4,164,000		42,517,702	42,517,702	
Interest and Other Investment Income	70,743,027	70,743,027		11,021,347	11,021,347	
Miscellaneous Income	22,714,612	22,714,612		833,710,859	833,710,859	
Total Revenues	<u>1,734,515,162</u>	<u>1,734,515,162</u>		<u>1,342,852,470</u>	<u>1,342,852,470</u>	
Expenditures						
General Government	510,277,103	399,218,455	\$111,058,648	31,194,532	27,207,137	\$3,987,395
Human Services	3,724,700	3,722,874	1,826	189,341,831	157,579,115	31,762,716
Public Safety and Corrections	141,473,674	137,643,694	3,829,980	52,169,969	42,760,323	9,409,646
Health	11,488,914	11,377,979	110,935	577,680,664	534,857,697	42,822,967
Education	1,038,692,492	1,015,078,209	23,614,283	108,334,420	89,964,248	18,370,172
Natural Resources	30,545,460	28,693,601	1,851,859	164,857,028	109,392,546	55,464,482
Agriculture and Economic Development	21,988,529	21,130,340	858,189	134,429,703	118,691,520	15,738,183
Transportation	8,535,090	7,374,628	1,160,462	487,825,517	404,037,406	83,788,111
Total Expenditures	<u>1,766,725,962</u>	<u>1,624,239,780</u>	<u>142,486,182</u>	<u>1,745,833,664</u>	<u>1,484,489,992</u>	<u>261,343,672</u>
Revenues Over (Under) Expenditures	<u>(\$32,210,800)</u>	<u>110,275,382</u>	<u>\$142,486,182</u>	<u>(\$402,981,194)</u>	<u>(141,637,522)</u>	<u>\$261,343,672</u>
Other Financing Sources (Uses)						
Operating Transfers In		834,570,031			257,469,035	
Operating Transfers Out		(989,492,302)			(72,540,746)	
Total Other Financing Sources (Uses)		<u>(154,922,271)</u>			<u>184,928,289</u>	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		<u>(44,646,889)</u>			<u>43,290,767</u>	
Reconciling Items						
Changes Effected by Accrued Revenues		29,501,744			48,484,704	
Changes Effected by Accrued Expenditures		(8,541,652)			(72,114,542)	
Funds Not Annually Budgeted					(155,302)	
Fund Balances - Beginning of Year, as Adjusted		<u>253,391,739</u>			<u>284,662,205</u>	
Fund Balances - End of Year		<u>\$229,704,942</u>			<u>\$304,167,832</u>	

The accompanying notes are an integral part of the financial statements.

State of Idaho
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types, Similar Trust Funds and
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust			
Operating Revenues						
Licenses, Permits and Fees	\$85,335	\$10,340		\$95,675	\$8,805,495	\$8,901,170
Sale of Services, Goods and Property	278,184,036	85,919,996	\$54,368,252	418,472,284	45,385	418,517,669
Interest and Other Investment Income			1,019,980	1,019,980	66,693,000	67,712,980
Rent and Lease Income		5,060,546		5,060,546		5,060,546
Miscellaneous Income	2,289,870	8,777,576		11,067,446	1,496,863	12,564,309
Total Operating Revenues	280,559,241	99,768,458	55,388,232	435,715,931	77,040,743	512,756,674
Operating Expenses						
Personnel Costs	8,463,265	15,303,202		23,766,467	4,020,820	27,787,287
General and Administrative	29,211,781	15,563,385		44,775,166	3,121,667	47,896,833
Travel	76,552	173,298		249,850		249,850
Supplies	35,075,047	1,115,805		36,190,852		36,190,852
Insurance, Utilities and Rent	2,607,288	2,977,491		5,584,779	10,850	5,595,629
Dividends to Policyholders	53,776,978			53,776,978		53,776,978
Miscellaneous	2,063,161	478,171		2,541,332		2,541,332
Depreciation	1,585,491	1,893,720		3,479,211	351,134	3,830,345
Awards, Contributions and Claims	108,775,103	78,172,986		186,948,089	653,607	187,601,696
Payment as Agent	11,455,049			11,455,049		11,455,049
Total Operating Expenses	253,089,715	115,678,058		368,767,773	8,158,078	376,925,851
Operating Income (Loss)	27,469,526	(15,909,600)	55,388,232	66,948,158	68,882,665	135,830,823
Nonoperating Revenues (Expenses)						
Interest Income	397,896	4,026,787		4,424,683	656,879	5,081,562
Investment Income	33,984,676			33,984,676	15,358,000	49,342,676
Interest Expense		(56,001)		(56,001)	(69,820,000)	(69,876,001)
Loss on Sale of Fixed Assets	(5,042)	(59,163)		(64,205)		(64,205)
Other					(2,187,000)	(2,187,000)
Total Nonoperating Revenues (Expenses)	34,377,530	3,911,623		38,289,153	(55,992,121)	(17,702,968)
Income (Loss) Before Operating Transfers	61,847,056	(11,997,977)	55,388,232	105,237,311	12,890,544	118,127,855
Operating Transfers Out	(28,295,000)	(1,712,858)		(30,007,858)		(30,007,858)
Net Income (Loss)	33,552,056	(13,710,835)	55,388,232	75,229,453	12,890,544	88,119,997
Beginning Retained Earnings, as Adjusted	198,635,737	50,721,954	579,739,022	829,096,713	109,833,423	938,930,136
Ending Retained Earnings	\$232,187,793	\$37,011,119	\$635,127,254	\$904,326,166	\$122,723,967	\$1,027,050,133

The accompanying notes are an integral part of the financial statements.

State of Idaho
Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Funds and
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Governmen t (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust			
Increase (Decrease) in Cash and Cash Equivalents:						
Cash Flows from Operating Activities						
Receipts from Customers, Loan Interest and Fees	\$277,266,444	\$8,174,539	\$56,576,806	\$342,017,789	\$78,409,690	\$420,427,479
Customer Refunds			(2,360,957)	(2,360,957)		(2,360,957)
Receipts from State Agency Customers	4,824,924	96,259,195		101,084,119		101,084,119
Loan Principal Payments					73,849,000	73,849,000
Payments to Suppliers	(141,472,658)	(92,281,740)		(233,754,398)	(5,325,000)	(239,079,398)
Payments to Employees for Services and Benefits	(8,429,513)	(15,365,441)		(23,794,954)	(3,929,000)	(27,723,954)
Payments to State Agency Suppliers	(220,254)	(2,892,138)		(3,112,392)		(3,112,392)
Payments of Awards and Claims	(63,910,296)	(2,300,779)		(66,211,075)	(128,874)	(66,339,949)
Payments of Dividends to Policyholders	(33,502,035)			(33,502,035)		(33,502,035)
Loan Principal Additions					(226,616,000)	(226,616,000)
Net Cash Provided (Used) by Operating Activities	34,556,612	(8,406,364)	54,215,849	80,366,097	(83,740,184)	(3,374,087)
Cash Flows from Noncapital Financing Activities						
Operating Transfers Out	(28,295,000)	(1,712,858)		(30,007,858)		(30,007,858)
Deferred Bond Financing Cost					(3,552,000)	(3,552,000)
Interest Paid					(64,533,000)	(64,533,000)
Payment of Bonds					(96,704,000)	(96,704,000)
Bonds Issued					250,000,000	250,000,000
Net Cash Provided (Used) by Noncapital Financing Activities	(28,295,000)	(1,712,858)		(30,007,858)	85,211,000	55,203,142
Cash Flows from Capital and Related Financing Activities						
Proceeds from Disposition of Capital Assets	22,317	447		22,764		22,764
Acquisition and Construction of Capital Assets	(911,743)	(2,925,312)		(3,837,055)	(476,000)	(4,313,055)
Net Cash Provided (Used) by Capital and Related Financing Activities	(889,426)	(2,924,865)		(3,814,291)	(476,000)	(4,290,291)
Cash Flows from Investing Activities						
Receipt of Interest and Dividends	21,797,404	4,027,515	866,916,125	892,741,044		892,741,044
Purchase of Investments	(295,143,228)		(3,062,163,154)	(3,357,306,382)	(847,211,815)	(4,204,518,197)
Redemption of Investments	263,855,147		2,139,902,702	2,403,757,849	829,241,000	3,232,998,849
Investment Income	4,293,247			4,293,247		4,293,247
Other Investing Activities	(1,268,387)			(1,268,387)	15,633,000	14,364,613
Net Cash Provided (Used) by Investing Activities	(6,465,817)	4,027,515	(55,344,327)	(57,782,629)	(2,337,815)	(60,120,444)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,093,631)	(9,016,572)	(1,128,478)	(11,238,681)	(1,342,999)	(12,581,680)
Beginning Cash and Cash Equivalents	57,599,294	77,966,157	19,815,863	155,381,314	30,073,925	185,455,239
Ending Cash and Cash Equivalents	\$56,505,663	\$68,949,585	\$18,687,385	\$144,142,633	\$28,730,926	\$172,873,559

State of Idaho
Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Funds and
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust			
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	27,469,526	(15,909,600)	55,388,232	66,948,158	68,882,665	135,830,823
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Amortization of Deferred Loan Discounts					(2,190,000)	(2,190,000)
Depreciation	1,585,491	1,893,719		3,479,210	351,134	3,830,344
(Increase) Decrease in Accounts Receivable, Net	387,348	(274,352)	3,558,703	3,671,699	(975,680)	2,696,019
(Increase) Decrease in Notes and Mortgages Receivable			749,309	749,309	73,849,000	74,598,309
(Increase) Decrease in Grand Prize Receivables	12,712			12,712		12,712
(Increase) Decrease in Due from Other Funds	(127,277)	(107,734)		(235,011)		(235,011)
(Increase) Decrease in Other Assets	345,827	(503,000)		(157,173)	713,000	555,827
(Increase) Decrease in Customer Loan Principal					(226,616,000)	(226,616,000)
Increase (Decrease) in Accounts Payable and Other Liabilities	13,297,566	25,030,797		38,328,363	526,697	38,855,060
Increase (Decrease) in Interest Payable					(77,000)	(77,000)
Increase (Decrease) in Grand Prizes Payable	604,474			604,474		604,474
Increase (Decrease) in Deferred Revenue		5,179,711	(4,506,505)	673,206		673,206
Increase (Decrease) in Due to Other Funds		186,989		186,989		186,989
Increase (Decrease) in Deposits			(973,890)	(973,890)	1,796,000	822,110
Increase (Decrease) in Policy Claim Liabilities	(9,019,055)	(22,988,071)		(32,007,126)		(32,007,126)
Increase (Decrease) in Capital Leases		(914,823)		(914,823)		(914,823)
Total Adjustments	7,087,086	7,503,236	(1,172,383)	13,417,939	(152,622,849)	(139,204,910)
Net Cash Provided (Used) by Operating Activities	\$34,556,612	(\$8,406,364)	\$54,215,849	\$80,366,097	(\$83,740,184)	(\$3,374,087)

Noncash Transactions:

Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year: Internal Service Funds acquired fixed assets through capital leases in the amount of \$233,200. The State Lottery, an Enterprise Fund, reported grand prizes claimed in fiscal year 1997 for the amount of \$48,288,730. Annuities were purchased to settle the winning claims. The accretion of grand prize annuities receivable from the Multi-State Lottery Association, with a corresponding increase in the grand prizes payable, totaled \$5,542,808 for the current fiscal year.

Cash and Cash Equivalent Reconciliation to Combined Balance Sheet

Total Trust and Agency	\$303,420,308
Less: Pension Trust Funds	2,364,847
Expendable Trust Funds	278,782,432
Agency Funds	3,585,644
Nonexpendable Trust Cash and Cash Equivalents	\$18,687,385

The accompanying notes are an integral part of the financial statements.

State of Idaho
Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 1997

	Public Employee Retirement System of Idaho Plan	Firemen's Retirement Plan	Idaho Super Saver - 401(k) Plan	Judges' Retirement Plan	Total
Additions					
Licenses, Permits and Fees				\$1,251,182	\$1,251,182
Interest and Other Investment Income	\$731,591,150	\$25,178,489	\$591,263	7,583,413	764,944,315
Contributions and Other	299,511,579	7,751,912	2,348,356	448,362	310,060,209
Total Additions	1,031,102,729	32,930,401	2,939,619	9,282,957	1,076,255,706
Deductions					
Plan Benefits and Refunds Paid to Plan Members	177,923,575	9,718,463	42,518	1,269,627	188,954,183
Administrative Expenses	3,228,215			18,317	3,246,532
Total Deductions	181,151,790	9,718,463	42,518	1,287,944	192,200,715
Increase in Net Assets	849,950,939	23,211,938	2,897,101	7,995,013	884,054,991
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	3,775,115,802	132,044,697	1,985,182	31,725,313	3,940,870,994
End of Year	\$4,625,066,741	\$155,256,635	\$4,882,283	\$39,720,326	\$4,824,925,985

The accompanying notes are an integral part of the financial statements.

State of Idaho
Combined Statement of Changes in Fund Balances
All College and University Funds
For the Fiscal Year Ended June 30, 1997

	Current Funds			Student Loan	Endowment	Plant Funds				Total
	Unrestricted	Auxiliary	Restricted			Unexpended Plant	Renewal and Replacement	Retirement of Indebtedness	Net Investment in Plant	
Revenues and Other Additions										
Unrestricted Current Funds Revenues	306,776,528	77,474,737								384,251,265
Student Fees				8,344						8,344
Private Gifts, Grants and Contracts			19,334,556	16,518	2,823,645	1,020,064			1,143,514	24,338,297
Government Grants and Contracts			153,568,160	278,697		716,494		609,643		155,172,994
Government Appropriations			29,398,777							29,398,777
Investment Income			4,184	122,004	2,795,521	1,947,521	71,726	1,318,691		6,259,647
Interest on Loans Receivable				552,418						552,418
Expended for Plant Facilities									36,681,628	36,681,628
Retirement of Indebtedness									32,253,013	32,253,013
Realized Gains on Investments					3,960,228					3,960,228
Change in Unrealized Appreciation on Securities					4,515,773					4,515,773
Proceeds from Issuance of Bonds and Notes Payabl						18,142,649		28,045,000		46,187,649
Public Works Projects Completed									21,675,764	21,675,764
Other Additions			3,429,905	223,628	194,144	18,966		934,502		4,801,145
Total Revenues and Other Additions	306,776,528	77,474,737	205,735,582	1,201,609	14,289,311	21,845,694	71,726	30,907,836	91,753,919	750,056,942
Expenditures and Other Deductions										
Educational and General	295,400,606		198,752,332		51,909					494,204,847
Auxiliary Enterprises Expenditures		72,451,370								72,451,370
Indirect Costs Recovered			4,950,897							4,950,897
Loan Cancellations and Write-offs				537,366						537,366
Expended for Plant Facilities						18,714,715				18,714,715
Retirement of Indebtedness								32,253,013		32,253,013
Interest on Indebtedness								8,918,649		8,918,649
Disposal of Plant Facilities									11,179,111	11,179,111
Additions to Indebtedness										46,187,649
Additions to Capital Leases										118,018
Other Deductions				79,284	3,140,256	358,142		521,215	846,398	4,945,295
Total Expenditures and Other Deductions	295,400,606	72,451,370	203,703,229	616,650	3,192,165	19,072,857		41,692,877	58,331,176	694,460,930
Transfers										
Principal and Interest	(6,222,621)	(5,065,077)	(7,189)			(457,693)		11,752,580		
Loans and Matching Grants	(1,142,181)	(8,764)	1,060,916	90,029				(53,382)		(53,382)
Net Transfers (Voluntary)	(5,932,332)	(782,188)	589,468	(220,702)		4,218,397	572,459	1,608,280		53,382
Total Transfers	(13,297,134)	(5,856,029)	1,643,195	(130,673)		3,760,704	572,459	13,307,478		
Net Increase (Decrease) for the Year	(1,921,212)	(832,662)	3,675,548	454,286	11,097,146	6,533,541	644,185	2,522,437	33,422,743	55,596,012
Fund Balances, Beginning of Year	36,255,877	11,051,299	3,369,729	21,273,925	53,815,022	20,825,127	3,478,979	19,973,303	611,117,268	781,160,529
Fund Balances, End of Year	\$34,334,665	\$10,218,637	\$7,045,277	\$21,728,211	\$64,912,168	\$27,358,668	\$4,123,164	\$22,495,740	\$644,540,011	\$836,756,541

The accompanying notes are an integral part of the financial statements.

State of Idaho
Combined Statement of Current Funds Revenues, Expenditures and Other Changes
All College and University
For the Fiscal Year Ended June 30, 1997

	Unrestricted	Auxiliary	Restricted	Total
Revenues				
Appropriated General Education Revenues				
State General Account - General Education	\$168,744,790	\$4,402,410		\$173,147,200
Endowment Income	10,487,774			10,487,774
Student Fees and Miscellaneous Receipts	48,333,247	4,536		48,337,783
Idaho Dental Education Program	492,900			492,900
Museum of Natural History	441,100			441,100
Family Practice	347,300			347,300
Other State General Accounts			\$24,170,881	24,170,881
Federal Appropriations			4,406,112	4,406,112
Vocational Education	17,283,231			17,283,231
Federal Grants and Contracts	110,570		132,121,859	132,232,429
State Grants and Contracts	470,158	35,692	14,964,159	15,470,009
Private Gifts, Grants and Contracts	3,089,886	2,848,330	18,288,167	24,226,383
Other Student Fees	32,149,130	16,835,050	167,804	49,151,984
Sales and Services of Educational Departments	11,430,737		1,381,276	12,812,013
Sales and Services of Auxiliary Enterprises		52,714,297		52,714,297
Indirect Costs Recovered	4,970,137			4,970,137
Other Sources	8,425,568	634,422	2,198,347	11,258,337
Total Revenues	306,776,528	77,474,737	197,698,605	581,949,870
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	154,035,816		19,910,464	173,946,280
Research	13,854,849		43,771,447	57,626,296
Public Service	4,148,239		17,848,330	21,996,569
Academic Support	23,500,118		753,774	24,253,892
Libraries	14,292,099		54,626	14,346,725
Student Services	16,068,115		1,833,382	17,901,497
Institutional Support	32,029,309		509,616	32,538,925
Operations and Maintenance of Plant	28,249,409		1,355,179	29,604,588
Scholarships and Fellowships	9,222,652		112,715,514	121,938,166
Educational and General Expenditures	295,400,606		198,752,332	494,152,938
Mandatory Transfers for Loans and Matching Grants	1,142,181		(1,060,916)	81,265
Mandatory Transfers for Principal and Interest	6,222,621		7,189	6,229,810
Total Educational and General	302,765,408		197,698,605	500,464,013
Auxiliary Enterprises				
Expenditures		72,460,134		72,460,134
Mandatory Transfers for Principal and Interest		5,065,077		5,065,077
Total Auxiliary Enterprises		77,525,211		77,525,211
Total Expenditures and Mandatory Transfers	302,765,408	77,525,211	197,698,605	577,989,224
Other Transfers and Additions (Deductions)				
Excess (Deficiency) of Restricted Receipts Over Transfers to Revenue			3,086,080	3,086,080
Net Transfers (Voluntary)	(5,932,332)	(782,188)	589,469	(6,125,051)
Total Other Transfers and Additions (Deductions)	(5,932,332)	(782,188)	3,675,549	(3,038,971)
Net Increase (Decrease) in Fund Balances	(\$1,921,212)	(\$832,662)	\$3,675,549	\$921,675

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard-setting body for governmental accounting and financial reporting principles.

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 1997, for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the Idaho State Legislature and/or Constitutional Officers of the State of Idaho.

The financial statements are presented as of and for the year ended June 30, 1997, except for the State Bar (presented in the Regulatory Special Revenue Fund) whose statements are as of and for the fiscal year ended December 31, 1996; the Idaho Dairy Products Commission (presented in the Agriculture and Natural Resources Special Revenue Fund) whose statements are as of and for the fiscal year ended December 31, 1996; the Idaho Potato Commission (presented in the Agriculture and Natural Resources Special Revenue Fund) whose statements are as of and for the 14 months ended August 31, 1997; the State Insurance Fund and the Petroleum Clean Water Trust (both presented as Enterprise Funds) whose statements are as of and for the year ended December 31, 1996; and the Idaho Life and Health Insurance Guaranty Association (a discretely presented component unit) whose financial statements are as of and for the year ended December 31, 1996.

B. Financial Reporting Entity

For financial reporting purposes, the State has included all funds, agencies, boards, commissions, authorities, and account groups. The State has also considered potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. As defined by GASB, financial accountability exists, generally, if the State appoints a voting majority of the organization's governing board and (1) the State is able to impose its will on the organization, or if (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

As required by GAAP, these financial statements present the State of Idaho (primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Blended Component Unit

The following component unit is legally separate from the State but is reported as part of the State and blended into the appropriate fund and account groups.

Idaho State Building Authority. The Idaho State Building Authority was created by Idaho Code, Title 67, Chapter 64, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. Following the guidance provided by the National Council on Governmental Accounting (NCGA) Statement 5, "Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments" and Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity," the Idaho State Building Authority is presented as a blended component unit in a special revenue fund, the General Long-Term Debt Account Group, and the General Fixed Assets Account Group. GASB 14 requires the Building Authority to be presented as a blended component unit because the Board is appointed by the Governor; the Authority relies entirely on the State's leasing agreements, resulting in a significant financial benefit/burden relationship, and the Authority provides services entirely to the State of Idaho. Idaho Code, Section 67-6419 states, "The notes, bonds or other obligations of the authority shall not be or become an indebtedness or obligation of the state of Idaho...nor shall such notes, bonds or obligations of the authority constitute the giving or loaning of the credit of the state of Idaho....". The \$51.1 million of the Authority's debt is presented in the General Long-Term Debt Account Group. Idaho State Building Authority's fixed assets of \$72.7 million, presented in the General Fixed Assets Account Group are titled in the name of the Authority. The Authority's audit report, dated August 28, 1997, was issued under separate cover for the fiscal year ended June 30, 1997.

Discretely Presented Component Units

These component units are organizations which are legally separate from the State, but they are financially accountable to the State, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards. A brief description of the two discretely presented component units follow:

The Idaho Housing and Finance Association. The Idaho Housing and Finance Association was created by the Idaho Legislature in Idaho Code, Title 67, Chapter 62 for the purpose of building and rehabilitating residential housing for persons of low income. The Governor appoints the Board. A financial benefit/burden relationship exists between

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

the State and the Association. The Association is entitled to appropriation from the state sales tax account, up to a maximum of \$89,000,000, if necessary, to maintain the appropriate reserves as determined by Idaho Code. Also, in the event of the dissolution of the Association, any assets remaining after paying all obligations shall revert to the State. The Association is presented discretely as an enterprise fund. Their audit report, dated August 28, 1997, was previously issued under separate cover for the year ended June 30, 1997.

Idaho Life and Health Insurance Guaranty Association. The Idaho Life and Health Insurance Guaranty Association is a nonprofit organization authorized by the Idaho Life and Health Insurance Guaranty Association Act of 1977, Idaho Code, Title 41, Chapter 43. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies where the insurer becomes insolvent. The Act applies to direct and supplemental life and disability policies and annuity contracts. All insurance companies, which sell the type of insurance covered under the Act, are required to be members of the Association as a condition of their authority to transact insurance business in Idaho. The Board members are selected by member insurers; however, the Director of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against its premium taxes to the extent of twenty percent (20%) of the amount of such assessment for each of the five (5) calendar years following the year in which the assessment was paid. An allowable offset, or portion thereof, not used in any calendar year cannot be carried over or back to any other year. This imposes a direct financial burden on the State. The Association is presented discretely as an enterprise fund. Their audit report, dated March 26, 1997, was previously issued under separate cover for the year ended December 31, 1996.

Complete financial statements for each of the individual component units can be obtained from their respective administrative offices, as follows:

Idaho State Building Authority
P.O. Box 2802
Boise, ID 83701

Idaho Housing and Finance Association
P.O. Box 7899
Boise, ID 83707

Idaho Life and Health Insurance Guaranty Association
P.O. Box 7367
Boise, ID 83707

C. Constitutional Debt and Liability Limitation

Article VIII, Section 1, of the Idaho Constitution specifies the Legislature shall not create any debts or liabilities that exceed \$2 million in the aggregate. This provision of the Constitu tion

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

was incorporated in 1912. The State has implemented this provision on the assumption it applies to debts and liabilities, such as bonded indebtedness, but does not apply to liabilities incurred for ordinary operating expenses, liabilities that arise by operation of law, or debt incurred by the State Board of Education (colleges and universities), State ex rel. Miller v. State Board of Education, 56 Idaho 210, 52 P. 2d 141 (1935); Stein V. Morrison, 9 Idaho 426, 75 P. 246 (1904). Lease revenue bonds issued by the Idaho State Building Authority are also outside this limitation.

D. Fund Accounting

The financial activities of the State are recorded in individual funds and account groups which are used to report the financial position and results of the operations of the State. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The State records its transactions in four fund categories and two account groups. The fund categories include governmental funds, proprietary funds, fiduciary funds, and university funds. Account groups are composed of general fixed assets and general long-term debt.

1. The State's governmental funds are used to account for the State's general activities, including collection and disbursement of earmarked monies (special revenue funds), and acquisition or construction of general fixed assets. Governmental fund types include the following:

The General Fund is the principal operating fund of the State. It is used to account for resources that are not required to be accounted for in other funds. These resources are used to provide services that include general government, public safety and corrections, health and human services, education (other than those reported in the university funds), natural resources, agriculture and economic development, and transportation. Consistent with applicable legal requirements, certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund.

Special Revenue Funds are used to account for transactions related to resources obtained from specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose. Special revenue funds include the financial activities related to Fish and Game, Health and Welfare, Transportation, Federal, Regulatory, Agriculture and Natural Resources, and the Miscellaneous Fund which are legally restricted to expenditures for specified purposes. The Idaho State Building Authority is included in the Miscellaneous fund.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

2. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary funds include the following:

Enterprise Funds are established to account for governmental operations that function in a manner similar to private business enterprises where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds include Correctional Industries, Liquor Dispensary, State Lottery, Petroleum Clean Water Trust, and the State Insurance Fund.

Internal Service Funds are used to account for a variety of independent operations that render services and/or provide goods to other state agencies or governmental units on a cost-reimbursement basis. Internal service funds include the financial activities of General Services, Data Processing Services, Group Insurance, and Risk Management.

3. Fiduciary funds account for assets held by the State in a trust or agency capacity. Fiduciary fund types include the following:

The Expendable Trust Fund accounts for assets held by the State in a trustee capacity. Principal and income may be expended in the course of designated operations. The only expendable trust fund for the State is Unemployment Compensation.

Nonexpendable Trust Funds account for the transactions, assets, liabilities, and fund equity of the State Endowment Funds. The Endowment Funds were created from federal Enabling Act land grants and the sale of such lands. The funds' principal is nonexpendable. Earnings on the principal are used to support education, mental health, corrections, and public buildings.

Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the State's retirement systems.

Agency Funds account for various taxes, deposits, and property collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries.

4. College and university funds account for the financial position and operations of the State's colleges and universities. Accordingly, college and university funds are an aggregation of the following funds:

Current Funds are used primarily to account for amounts which are expended in performing the primary and support objectives of the universities/colleges, e.g., instruction, research, public service, academic support, libraries, student services,

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

institutional support, operations and maintenance of plant, scholarships and fellowships, and auxiliary activities. Funds included in this classification consist of the following:

Unrestricted funds - These funds are used to account for transactions related to the educational and general operations of the universities/colleges. These funds may be used at the discretion of the governing board or their designee to meet current expenditures for any purpose.

Auxiliary enterprise funds - These funds are used to account for transactions of substantially self-supporting activities that primarily provide services to students, faculty, and staff. Auxiliary enterprises include, but are not limited to, student housing, food services, bookstore, and intercollegiate athletics.

Restricted funds - These funds are used to account for current funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used. Revenues of the restricted funds are reported in the statement of current funds revenues, expenditures and other changes only to the extent they are expended for current operating purposes. The excess or deficiency of receipts over expenditures is included as an addition or deduction directly to fund balances during the year.

Student Loan Funds account for transactions of related resources obtained and used for loans to students.

Endowment and Similar Funds account for resources held by the institutions that must be administered in accordance with trust agreements, restricting the use of the principal. Quasi-endowment funds have been established for the same purposes as the endowment funds; however, any portion of such funds can be expended.

Plant Funds are used to account for the transactions relating to investment in university/college properties. Plant funds include (1) Unexpended Plant Funds, (2) Renewal and Replacement Funds, (3) Retirement of Indebtedness Funds and (4) Net Investment in Plant Funds. The Unexpended Plant Funds are comprised of amounts which have been appropriated or designated for land, improvements, buildings and equipment. The Renewal and Replacement Funds are comprised of amounts provided for renewal and replacement of certain properties. The Retirement of Indebtedness Funds represent bond sinking funds used to provide for payment of principal and interest pursuant to terms of bond indentures. Net Investment in Plant Funds represents the accumulated cost of property, buildings, and equipment over related liabilities.

Agency Funds account for amounts held in custody for students, institution-related organizations, and others.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

5. Account groups consist of the following:

The General Fixed Assets Account Group is used to account for land, buildings, and equipment of the governmental fund types. Fixed assets of the pension trust funds, proprietary fund types, and colleges and universities are accounted for separately in their respective funds.

The General Long-Term Debt Account Group accounts for the State's unmatured long-term obligations related to capital lease obligations, compensated absences, and notes, bonds, and contracts payable. Long-term obligations of the proprietary funds, trust funds, and the college and university funds are accounted for in their respective funds.

E. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatments applied to funds are described as follows:

All governmental funds and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases in spendable resources as revenues and other financing sources, and decreases in spendable financial resources as expenditures and other financing uses.

All governmental funds, expendable trust funds, and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collected in the current year or soon enough after year end to liquidate liabilities existing at the end of the year. Significant revenue sources which are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes, and federal grants. Licenses, fees, permits, and other miscellaneous revenues are recognized when received, since they normally are measurable only at that time. Expenditures are recorded when the fund liabilities are incurred.

Proprietary funds, in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," are required to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. In addition, a proprietary activity may apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The State has elected not to follow FASB pronouncements issued after November 30, 1989 for proprietary funds.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

All proprietary funds, nonexpendable trust funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. This also applies to the two discretely presented component units, which are accounted for as proprietary activities.

All proprietary funds, nonexpendable trust funds, pension trust funds, and the two discretely presented component units use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Fund equity, e.g., net assets, is segregated into contributed capital and retained earnings components for proprietary funds and fund balance for nonexpendable trust and pension trust funds.

The accounts of the college and university funds are reported using the accrual basis of accounting with the following exceptions: depreciation expenses related to plant fund assets are not recorded and revenues and expenditures of summer sessions are reported within the fiscal year in which the total summer sessions program is predominantly conducted.

F. Budgetary Process

By November of each year, all agencies of the State submit requests for appropriations to the Governor's Office, Division of Financial Management, and the Legislature so an Executive Budget may be prepared for the upcoming legislative session. The budget is generally prepared by agency, fund, program, and object. This is the level against which legal compliance is monitored. The budget presentation includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January and February, the Governor's proposed budget recommendations are presented to the Legislature for review, change, and preparation of the annual appropriation acts for the various agencies. The Legislature enacts annual appropriations (budgets) for the majority of funds held in the state treasury. These budgets are adopted in accordance with Idaho Code, Title 67, Chapters 35 and 36. Both houses of the Legislature must pass the appropriation acts by a simple majority vote. The appropriation acts become the State's authorized operating budget upon the Governor's signature, or 10 days after the end of the session, if not signed by the Governor.

Once the budget has been adopted, limitations exist regarding the extent to which management may make modifications. At no time, without legislative authority, may an appropriation be transferred from one fund to another. However, with the appropriate approval, the following adjustments may be made:

Idaho Code, Section 67-3511(1) allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriation for personnel costs may be transferred to other objects, but appropriation for other costs may not be transferred to personnel. Appropriations for capital outlay may not be used

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

for any other purpose, per Idaho Code, Section 67-3511(c); however, appropriations for other objects may be transferred to capital outlay. The Board of Examiners must approve object transfers.

Idaho Code, Section 67-3511(2) allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10% cumulative change from the appropriated amount for any program affected by the transfer. The Division of Financial Management and the Board of Examiners must approve these transfers. Transfers above 10% cumulative change must be approved by legislative appropriation.

Should any change occur that is not within the above described limitations, legal compliance is not achieved.

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered are recorded to reserve that portion of the applicable fund balance.

While encumbrances are allowed for budgetary control purposes, the state uses cash basis records as the basis for the preparation of the State's legally adopted annual budget or legal basis. The legal basis emphasizes accountability and the budgetary control of appropriations. The State issues a separate Legal Basis Financial Report which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720-0011.

The seven district health departments in the State are supervised by a seven-member board that is appointed by the County Commissioners of the counties served. They function as separate legal entities and are fiscally independent. Therefore, they are not included in the State's reporting entity either as part of the primary government or as component units. Although they are not financially dependent upon the State, the Legislature appropriates funds for the health departments. For that reason, they are included in the budgetary Legal Basis Financial Report. Below is the reconciliation from the Legal Basis Financial Report to the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Budgetary Basis) General Fund and Special Revenue Funds statement (included in this report) for transfers made from the general fund to the district health departments:

	Total	
	Adjusted Budget	Actual
General Fund Expenditures (Legal Basis)	\$1,758,996,147	\$1,616,509,965
Transfers to District Health Departments	<u>7,729,815</u>	<u>7,729,815</u>
General Fund Expenditures (CAFR)	<u>\$1,766,725,962</u>	<u>\$1,624,239,780</u>

STATE OF IDAHO
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As shown in the Legal Basis Financial Report, revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are not recognized as expenditures but reduce available spending authority.

Throughout the Idaho Code, the Legislature has established continuous or perpetual appropriations for certain funds and programs. No annual amount of appropriation is determined during the legislative session. Expenditures are allowed to the extent they are made with available cash.

As part of the budgetary process, agencies may request additional or supplemental appropriation for the current year. Conversely, by Executive Order, the Governor may rescind a portion of the general fund appropriation if it is anticipated expenditures may exceed available cash. When this occurs, it is recorded in the accounting system as a negative supplemental appropriation. A schedule of supplemental appropriations follows:

Supplemental Appropriations

General Fund	\$18,171,627
Special Revenue Funds	
Health and Welfare	(6,481,600)
Transportation	41,847,500
Federal	931,400
Regulatory	184,900
Agriculture and Natural Resources	1,311,100
Miscellaneous	2,472,801
Enterprise Funds	
Petroleum Clean Water Trust	55,500
State Insurance Fund	354,500
Internal Service Funds	
General Services	247,700
Data Processing	340,000
Total	<u>\$59,435,428</u>

Normally, unencumbered appropriations lapse at the end of the year for which they were appropriated. At fiscal year end, unexpended appropriation balances may: 1) revert to unreserved fund equity balances and be available for future appropriations; 2) be reappropriated as part of the spending authority for the future year; or 3) be carried forward to subsequent years as outstanding encumbrances, with the approval of the Division of Financial Management. Revenues are not budgeted for any funds. For financial reporting purposes, the budget columns for revenues on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual are reflected as being equal to actual revenues for all revenue categories.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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G. Assets and Liabilities

Cash and Cash Equivalents

Cash and cash equivalents consist of bank accounts, petty cash, and short-term investments. Cash balances of most state funds are pooled together and invested by the State Treasurer. Interest earned on pooled cash is allocated to the internal service funds, expendable trust funds, and certain special revenue funds when so directed by law. All earnings not otherwise allocated are General Fund revenue. Collateral, as further discussed in Note 2, is pledged by the various banks and securities dealers to secure state funds. As an exception to the above policy, certain organizations within the State's reporting entity have independent powers to manage and invest their own cash.

Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. In the Combined Statement of Cash Flows – All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units, investments with an original maturity of three months or less are considered cash equivalents.

Investments

The State Treasurer handles investments of state funds and funds of other qualified entities, within the State, in accordance with Idaho Code, Sections 67-1210 through 67-1222. Allowed investments include certificates of deposit with banks and savings and loan institutions, commercial paper, repurchase agreements, U. S. Treasury Bills and Notes, and government-backed mortgages and loans. Investments are recorded at amortized cost for the Joint Exercise of Powers pool. Other pooled investments are recorded at cost.

The Public Employee Retirement System of Idaho (PERSI) is permitted to make investments in accordance with the Prudent Man Investment Act, Sections 68-501 through 68-506 of the Idaho Code. PERSI invests in domestic equities, international equities (including international hedges), fixed income investments, real estate and real estate investment trusts, mortgages, and certain other short-term investments. These investments are recorded at fair market value in accordance with GASB Statement 25.

Certain other entities are also responsible for their own investments.

Accounts Receivable, Net

Accounts receivable in governmental and fiduciary funds primarily consist of timber sales and interest (both of which are recorded when earned), taxes subject to accrual-- mainly sales taxes and income taxes, and public assistance receivables which represent amounts billed to other health care providers by Health and Welfare. Other receivables include amounts collectible for investments sold and for accrued interest income, as well as contributions receivable in the pension trust funds. Proprietary fund receivables occur

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

as part of the ordinary course of business. Transportation receivables consist mainly of gas taxes receivable. The college and university fund receivables include money due for tuition, fees, loans, and accrued interest income. A schedule of these balances follows:

Accounts Receivable

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>
General Fund	\$96,211,483	\$833,263	\$95,378,220
Special Revenue Funds			
Fish and Game	119,463		119,463
Health and Welfare	3,202,338	13,445	3,188,893
Transportation	19,427,073		19,427,073
Federal	13,225		13,225
Regulatory	172,617		172,617
Agriculture and Natural Resources	2,356,158	8,453	2,347,705
Miscellaneous	1,397,765	95,157	1,302,608
Total Special Revenue Funds	26,688,639	117,055	26,571,584
Enterprise Funds			
Correctional Industries	155,986		155,986
Liquor Dispensary	42,669		42,669
State Lottery	977,445		977,445
Petroleum Clean Water Trust	530,403		530,403
State Insurance Fund	6,884,201	634,980	6,249,221
Total Enterprise Funds	8,590,704	634,980	7,955,724
Internal Service Funds			
General Services	346,551		346,551
Data Processing Services	3,902		3,902
Risk Management	88,558		88,558
Total Internal Service Funds	439,011		439,011
Fiduciary Funds			
Unemployment Compensation	32,051,597	2,009,165	30,042,432
Endowment Fund	3,356,213		3,356,213
Public Employee Retirement System	34,907,101		34,907,101
Firemen's Retirement Fund	1,098,407		1,098,407
Judges' Retirement Plan	398,594		398,594
Sick Leave/Insurance Reserve Fund	1,049,825		1,049,825
Total Fiduciary Funds	72,861,737	2,009,165	70,852,572
Colleges and Universities	44,999,139	435,948	44,563,191
Total Primary Government	249,790,713	4,030,411	245,760,302
Component Units	66,485		66,485
Total Reporting Entity	\$249,857,198	\$4,030,411	\$245,826,787

STATE OF IDAHO
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For the Fiscal Year Ended June 30, 1997

Due From/To Other Funds

During the course of operations, numerous transactions occur between individual funds within the State for goods provided, services rendered, and short-term interfund loans. These receivables and payables are classified as Due From Other Funds and Due To Other Funds, respectively, on the balance sheet. With the exception of intrafund operating transfers, no eliminating entries have been made for transactions occurring between funds. A schedule of these balances follows:

Due From Other Funds and Due To Other Funds

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$574,084	\$585,962
Special Revenue Funds		
Fish and Game		156,980
Health and Welfare	61,345	842,252
Transportation	474,407	471,687
Federal	192,125	820,453
Regulatory	50,356	109,231
Agriculture and Natural Resources	173,363	277,176
Miscellaneous	177,173	119,824
Total Special Revenue Funds	1,128,769	2,797,603
Enterprise Funds		
Correctional Industries	429,441	1,186
Liquor Dispensary		4,260
Total Enterprise Funds	429,441	5,446
Internal Service Funds		
General Services	895,517	185,644
Data Processing Services	579,255	2,888
Group Insurance	3,882	6,767
Risk Management	4,370	31,008
Total Internal Service Funds	1,483,024	226,307
Colleges and Universities	16,204,610	16,204,610
Total Reporting Entity	\$19,819,928	\$19,819,928

Due From Other Governments

The amounts reflected as Due From Other Governments are comprised mainly of federal grant revenues receivable.

Deferred Bond Financing Costs

Deferred Bond Financing Costs consist of the costs incurred related to bond issuance. These costs are capitalized and amortized over the term of the bonds, using the straight-line method.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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Notes and Mortgages Receivables

Long-term receivables are reported as Notes and Mortgages Receivables.

Grand Prizes Receivable/Payable

Grand Prizes Receivable/Payable consist of the annuities purchased to settle State Lottery grand prize obligations. See Note 10 for a schedule of the annuities.

Other Assets

Other Assets include prepaid expenses, inventories, transfer fees, deposits ceded for reinsurance, and other miscellaneous items.

Prepaid expenses shown in the proprietary fund types represent amounts paid in the current period for goods or services which will benefit future periods. Prepaid expenses include rent, insurance, postage, and telephone charges. Prepaid expenses for the fiduciary fund types relate to warrants issued for retirement benefits prior to the due date, so that beneficiaries will receive payment on the due date.

Proprietary fund type inventories of supplies and materials are stated at cost, which approximates market, generally using the first-in, first-out method. No inventories are included for governmental fund types. Supplies and materials which might be held in inventory for governmental funds are recorded as expenditures at the time of purchase.

Fixed Assets, Net

Fixed assets used in governmental fund type operations are recorded as expenditures in the governmental funds and related assets are recorded in the General Fixed Assets Account Group at cost or estimated historical cost, if actual cost is not available. Fixed assets include the purchase price or construction cost plus interest of self-constructed assets. Donated fixed assets are recorded at the estimated fair market value at the date of donation. Assets in the General Fixed Assets Account Group are not depreciated.

Fixed assets held in the proprietary and similar trust fund types are valued in the same manner as the General Fixed Assets Account Group. For all major asset classes, the fixed assets of these funds are depreciated on a straight-line basis over their estimated useful lives. Buildings and improvements, machinery and equipment, and improvements other than buildings are depreciated using the following schedule:

<u>Assets</u>	<u>Years</u>
Buildings	30
Improvements Other Than Buildings	5-40
Machinery, Equipment and Other	7-13

STATE OF IDAHO
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Assets with a cost of \$5,000 or greater and a useful life of two or more years are capitalized. Interest incurred during construction is capitalized.

Land is recorded at historical cost or fair market value at date of acquisition. In cases where historical cost is not available, land is valued using comparables indexed forward or backward with the consumer price index (CPI).

Public domain general fixed assets or infrastructure, e.g., freeways, bridges, sidewalks and other assets that are immovable and of value only to the State, are not capitalized or reported. The cost of land associated with infrastructure is not included in the financial statements.

The college and university funds account for fixed asset acquisition at cost. Construction projects are included in the plant fund while the project is being constructed. These funds capitalize interest expenditures during construction but do not record depreciation.

The following schedules present changes in the State's general fixed assets by function and activity, and by class and source:

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Schedule of Changes in General Fixed Assets by Function and Activity

Function and Activity	General Fixed Assets June 30, 1996 (as restated)	Additions	Deletions	General Fixed Assets June 30, 1997
General Government:				
Executive Administration	\$334,007	\$648,988	\$98,561	\$884,434
Financial Administration	194,567	13,083	42,918	164,732
Tax Administration	1,876,701	2,468,247	76,489	4,268,459
Legal Administration	380,507	306,822	19,245	668,084
Legislative	390,101	158,098	123,273	424,926
Other Internal Operations	25,145,602	420,029	1,177,968	24,387,663
Public Safety:				
Court System	1,680,289	291,118	410,475	1,560,932
Police Services	12,608,631	2,841,990	1,367,030	14,083,591
Civil Defense	9,055,808	8,328,256	7,803,161	9,580,903
Adult and Juvenile Corrections	76,860,776	31,507,960	16,095,363	92,273,373
Economic Development:				
Employment and Rehabilitation	12,040,472	926,940	1,375,635	11,591,777
Economic Development	2,067,558	201,943		2,269,501
Business and Professional Reg.	8,223,765	2,792,314	1,376,175	9,639,904
Natural Resources:				
Natural Resources and Rec. Mgmt.	177,111,073	8,194,797	13,581,256	171,724,614
Energy Management	14,000			14,000
Environmental Health	265,284	1,109,802	39,704	1,335,382
Health:				
Physical Health	3,395,678	325,293	466,643	3,254,328
Mental Health	972,048	1,493,464	31,071	2,434,441
Medical Assistance	258,151	335,279		593,430
Institutional and Residential Care	67,900,411	1,554,008	2,966,503	66,487,916
Education:				
Education Policy Development	39,794			39,794
Elementary and Secondary Education	10,059,083	1,866,981	83,913	11,842,151
Higher Education	11,261			11,261
Vocational Education	105,484		19,586	85,898
Cultural Affairs	11,202,710	3,663,425	402,570	14,463,565
Social Services:				
Individual Income Assistance	939,899	388,892	434,221	894,570
Other Social Services	1,499,497	1,130,244	218,626	2,411,115
Transportation:				
Capital Budget	116,060,387	26,909,071	26,937,850	116,031,608
Highways	81,660,569	16,531,781	10,012,917	88,179,433
Aeronautics	710,452	39,022	14,320	735,154
Other Transportation	151,819	181		152,000
Total General Fixed Assets	<u>\$623,216,384</u>	<u>\$114,448,028</u>	<u>\$85,175,473</u>	<u>\$652,488,939</u>

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Schedule of Changes in General Fixed Assets by Class and Source

Class	General Fixed Assets June 30, 1996 (as restated)	Additions	Deletions	General Fixed Assets June 30, 1997
Buildings	\$261,462,298	\$40,838,714	\$17,801,105	\$284,499,907
Construction in Progress	47,213,569	24,185,235	28,719,032	42,679,772
Construction in Progress-Leasehold Imp.	82,921	6,000	82,921	6,000
Land	142,879,585	3,995,962	10,494,319	136,381,228
Machinery and Equipment	166,248,934	40,288,176	27,881,196	178,655,914
Capital Leases	270,348	3,944,020		4,214,368
Leasehold Improvements-Buildings	378,788	82,921		461,709
Leasehold Improvements Other Than Bldgs.	236,751			236,751
Improvements Other Than Buildings	4,443,190	1,107,000	196,900	5,353,290
Total General Fixed Assets	<u>\$623,216,384</u>	<u>\$114,448,028</u>	<u>\$85,175,473</u>	<u>\$652,488,939</u>
Funding Source				
General Fund	\$174,116,887	\$75,226,937	\$56,321,533	\$193,022,291
Special Revenue Funds	449,099,497	39,221,091	28,853,940	459,466,648
Total General Fixed Assets	<u>\$623,216,384</u>	<u>\$114,448,028</u>	<u>\$85,175,473</u>	<u>\$652,488,939</u>

Amount to be Provided for Capital Leases

Amount to be Provided for Capital Leases is the present value of the minimum lease payments and is part of the General Long-Term Debt Account Group.

Accounts Payable and Other Liabilities

Accounts Payable and Other Liabilities consists of accounts payable, taxes payable, accrued payroll, accrued compensated absences, dividends declared and unpaid, and other liabilities.

Accounts payable are amounts due for goods or services received but not paid for at June 30, 1997.

Taxes payable represent the amounts deducted from employees' salaries and those amounts contributed by the State for social security, federal taxes, and state taxes not yet paid. Also included are sales or other taxes collected by state agencies but not remitted to the State Tax Commission or to other states.

Noncurrent compensated absence liabilities related to the governmental funds are recorded in the General Long-Term Debt Account Group. The long-term portion of the compensated absence liability accrual is not recognized in the governmental funds as it is not expected to be funded from current available resources. The current portion of the

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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compensated absence liability for governmental funds is recorded in the governmental fund. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. No accrual is made for sick leave, as the State is not obligated to pay the balance if employment terminates prior to retirement.

Employees earn vacation and sick leave based on hours worked and compensatory time based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and earned administrative leave. All employees covered by the Federal Wage and Hour Act are paid compensatory balances at termination.

Employees earn sick leave hours which are expensed when used. Upon termination, employees are not paid for unused sick leave. However, upon retirement, 50% of an employee's unused sick leave value (not to exceed 336 hours) is used by the Public Employee Retirement System of Idaho to purchase health insurance for the retiree. See Note 4 for further details.

As of June 30, 1997, the total value of vacation and compensatory time accrued by employees of the State was \$34,396,947, of which \$26,200,935 is classified as General Long-Term Debt.

Deposits

In the course of normal operations, a fund may hold cash or other assets of an individual or entity as a deposit until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally, the owner will default on the conditions and the asset held as a deposit becomes property of the State and is recorded as revenue at that time.

Due To Other Governments

The State Treasurer maintains an investment pool for non-state governmental entities. These amounts are recorded as Due to Other Governments. Also reported are amounts collected from the federal government but not disbursed to subgrantee governmental units.

Deferred Revenue

Deferred revenues arise when potential revenue does not meet the "available" criterion for recognition in the current period and when resources are received by the government before it has a legal claim to them, e.g., when grant monies are received prior to incurring qualifying expenditures or when premiums are received for workers' compensation insurance prior to the beginning of the policy period. In subsequent periods, when the revenue recognition criterion is met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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Notes, Bonds and Contracts Payable

Notes, Bonds and Contracts Payable consist of Energy Development and Study Loans and Wastewater Facility Loans made to various sectors within the State from the recovery of petroleum price violations; and revenue bonds, and unsecured notes held by the colleges and universities.

Policy Claim Liabilities

Policy Claim Liabilities relate to the State Insurance Fund, the Petroleum Clean Water Trust, the Risk Management Fund, and the Group Insurance Fund. A liability for a claim is established if information indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated based on the estimated ultimate cost of settling the claim, considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. Claim liabilities include any specific, incremental claim adjustment expense. Any material estimated recoveries are deducted from the liability for unpaid claims.

Capital Leases

Capital Leases are lease contracts entered into by the State that are in substance a purchase. Lease Commitments are discussed further in Note 8.

H. Fund Equity

Contributed capital is recorded in the internal service funds, which have received fixed assets and cash from donations and other funds.

Reserves represent those portions of fund balances not appropriable for expenditures or legally segregated for a specific future use. Reservations of fund balances are established to identify the existence of assets that are not available for subsequent year appropriations, e.g., prepaid items and inventories.

Designations represent tentative management plans or intent for financial resource utilization in a future period. Following is a list of reserves and designations used by the State and a description of each:

Retained Earnings

Reserved for Bond Indentures - an account used to segregate a portion of fund equity for the component unit, Idaho Housing and Finance Association, which relates to bond indentures.

STATE OF IDAHO
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For the Fiscal Year Ended June 30, 1997

Designated for Catastrophic Losses – \$6,000,000 of unreserved retained earnings in the State Insurance Fund (enterprise fund) and \$11,324,110 of unreserved retained earnings in the Group Insurance Fund (internal service fund) have been designated for future catastrophic losses.

In addition to the above specific reservations and designations, management intends to use \$11,847,239 of the unreserved retained earnings in the Group Insurance Fund (internal service fund) as a buffer to protect the insured against significant increases in insurance premium rates. Management also intends to use \$59,939,000 of the unreserved retained earnings in Idaho Housing and Finance Association (Discretely Presented Component Unit) for the retirement of bonds.

Fund Balances

Reserved for Encumbrances - an account used to segregate a portion of fund balance for commitments related to unperformed contracts.

Reserved for Employees' Pension Benefits - an account used to segregate a portion of fund balance for the specific future use of the retirement systems' members.

Reserved for Loans and Notes - an account used to segregate a portion of fund balances to reflect the amounts not available for current appropriations.

Reserved for Endowment Principal - an account used to segregate a portion of fund balances to indicate the principal amount of nonexpendable trust funds that is legally restricted for a specific future purpose.

I. Total (Memorandum Only)

Total columns on the financial statements are captioned Total-Memorandum Only to indicate they are presented only to facilitate financial analysis. The total column represents an aggregation of the combined financial statement fund types. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the State. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2. CASH AND CASH EQUIVALENTS

Authority for deposits and investments: The State maintains a cash and investment pool that is available for use by all funds; the pool has deposits and other investments. The State Treasurer is the investment officer for the funds on deposit in the state treasury; investment policies of the State Treasurer are governed by Idaho Code, Section 67-1210 and 67-1210A. Each fund's portion of this pool is summarized by fund type on the Combined Balance Sheet in the cash account.

STATE OF IDAHO
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Deposits: Cash and cash equivalents are deposited with multiple financial institutions and are carried at cost. Idaho Code does not require collateralization of deposits. The Treasurer controls the receipt and disbursement of amounts owned by agencies included in the primary government other than the Endowment Funds, the State Insurance Fund, the Clean Water Petroleum Trust, the Public Employee Retirement System of Idaho (PERSI), the Potato Commission, the Dairy Products Commission, the Wheat Commission, the State Bar, the Building Authority, and some of the college and university funds. Discretely presented component units control receipt and disbursement of their own funds. The following summary presents the amounts of primary government and discretely presented component units' deposits by the following categories:

1. Deposits which are fully insured or collateralized with securities held by the State or its agent in the State's name.
2. Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
3. Deposits which are not collateralized or are collateralized by the pledging financial institution or the pledging institution's trust department or agent, but not in the State's name.

Primary Government *(In Thousands)*

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$802,047	\$197,933	\$16,439	\$1,016,419

Reconciliation of Cash per Financial Statements to Risk Categorized Cash*(In Thousands)*

Total Cash and Cash Equivalents per Risk Categorization	\$1,016,419
Less: Outstanding Warrants	(65,989)
Timing Difference	1,375
Investments Categorized with Cash	(10,498)
Cash on Hand	<u>(252)</u>
Total Cash and Cash Equivalents on Combined Financial Statements	<u><u>\$941,056</u></u>

Discretely Presented Component Units *(In Thousands)*

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$100	\$138	\$28,502	\$28,740

Reconciliation of Cash per Financial Statements to Risk Categorized Cash*(In Thousands)*

Total Cash and Cash Equivalents per Risk Categorization	\$28,740
Less: Outstanding Checks	<u>(9)</u>
Total Cash and Cash Equivalents on Combined Financial Statements	<u><u>\$28,731</u></u>

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 3. INVESTMENTS

Investments: The State's investments are classified in three categories of credit risk to give a n indication of the level of risk assumed by the State as of the year end. The three categories of credit risk are:

1. Investments that are insured or registered or for which the securities are held by the State or its agent in the State's name;
2. Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name; and
3. Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the State's name.

Some investments are made by those agencies that have authority. These investments are not part of the pools managed by the State Treasurer. Only a few agencies are authorized to make such investments and then only for specific programs.

The State Treasurer maintains an investment pool for local governments, known as the Joint Exercise of Powers Fund. This local government investment pool is included in this report as an agency fund.

Pooled fund investments are stated at cost; market values include accrued interest for U.S. Treasury Bills. The following summaries identify the level of credit risk assumed by the State and the total carrying amount and market value of state investments at fiscal year end:

STATE OF IDAHO
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Primary Government (In Thousands)

<u>Investments</u>	Credit Risk Categories			Carrying	Market
	1	2	3	Value	Value
Repurchase Agreements			\$50,608	\$50,608	\$50,608
U.S. Government Obligations	\$484,948	\$10,553	4,532	500,032	477,674
U.S. Agency Obligations	385,399	318,461		703,860	702,950
Marketable Securities	4,506,159	20,843	720	4,527,723	4,521,878
Corporate Bonds	180,418			180,418	188,034
Common Stock Mutual Fund		36,829		36,829	41,814
Other	8,228	3,884		12,112	14,014
Risk Classified Investments	<u>\$5,565,152</u>	<u>\$390,570</u>	<u>\$55,860</u>	<u>\$6,011,582</u>	<u>\$5,996,972</u>

<u>Investments Not Subject to Classification Due to Their Nature</u>	Carrying Value	Market Value
Idaho Commercial Mortgages	214,554	172,348
Real Estate	123,135	123,135
Private Equity	18,784	18,784
Mutual Fund Holdings (401K)	194,734	194,734
Investment Holdings in Agency Fund	64,069	64,069
Net Settlements Payable to Brokers	(50,219)	(50,219)
Other	2,237	2,004
Total Non-Classified Investments	567,292	524,853
Investments Categorized with Cash	10,498	10,498
Total Investments	<u>\$6,589,371</u>	<u>\$6,532,322</u>

Discretely Presented Component Units (In Thousands)

<u>Investments</u>	Credit Risk Categories		Carrying	Market
	1	3	Value	Value
Repurchase Agreements	\$36,162		\$36,162	\$36,162
Government Obligations	116,629		116,629	119,272
U.S. Agency Obligations	54,260		54,260	54,150
Investment Agreements		\$61,784	61,784	61,784
Other		28,360	28,360	28,358
Risk Classified Investments	<u>\$207,051</u>	<u>\$90,144</u>	<u>\$297,195</u>	<u>\$299,726</u>

<u>Investments Not Subject to Classification Due to Their Nature</u>	
Interest Receivable	1,708
Total Investments	<u>\$298,903</u>

Repurchase Agreements: Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at the same price plus a contract rate of interest. These investments are made throughout the year for short periods of time.

STATE OF IDAHO
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NOTE 4. RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Summary of Plans

The State maintains a number of different retirement plans. The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement System of Idaho Plan, the Firemen's Retirement, and the Idaho Super Saver – 401K Plan. The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the Judges' Retirement Plan. The Idaho State Board of Education administers an Optional Retirement Plan for the colleges and universities. The PERSI system also acts as the agent for the Sick Leave/Insurance Reserve Fund.

These retirement systems have implemented the Governmental Accounting Standards Board's Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," as of July 1, 1996. Each of these plans or benefits is discussed individually below.

***Public Employee Retirement Fund/Policemen's Retirement Fund (PERSI Plan)
and Firemen's Retirement Fund (FRF)***

Plan Description

Organization and Purpose

The Public Employee Retirement Fund/Policemen's Retirement Fund (PERSI Plan) and Firemen's Retirement Fund (FRF) are both cost-sharing, multiple-employer defined benefit retirement plans. The Public Employee Retirement System of Idaho (the System) administers both of these plans. A retirement board, appointed by the Governor and confirmed by the State Senate, manages the System, which includes selecting the funding agents and establishing funding policy. Statutes governing the PERSI Plan are Idaho Code, Title 59, Chapter 13 and Title 50, Chapter 15. Statutes governing FRF are Idaho Code, Title 72, Chapter 14.

Membership

By state law, the State and school districts are employer members of the PERSI Plan. Political subdivisions, such as county and city governments; water, sewer and health districts; hospitals; libraries; and fire districts have also chosen to participate in the PERSI Plan and FRF. All state employees not covered by the other plans described below, who normally work more than twenty hours per week and have been employed by an employer member for more than five consecutive months, are covered by the PERSI Plan. As of June 30, 1997, the number of participating employer units in the PERSI Plan was 617 and actual benefit recipients and members in the PERSI plan was:

Retirees and Beneficiaries/Vested Terminated Employees	20,499
Current Active Employees	<u>57,237</u>
Total	<u>77,736</u>

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For FRF, as of June 30, 1997, there were 24 participating employer units, which all consisted of city fire departments participating in the PERSI Plan. Employee membership showed 431 retired members or beneficiaries collecting benefits from the FRF and 194 active members.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERSI, P.O. Box 83720, Boise, ID 83720-0078.

Benefits

The benefit structure for both the PERSI Plan and FRF are based on members' years of service, age, and final compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification or a combination of age plus service. The annual service retirement allowance was 1.917% (2.225% for police and firefighters) at June 30, 1997, for each month of credited service, of the average monthly salary for the highest consecutive 42 months.

The benefit payments for both the PERSI Plan and FRF are calculated using a benefit formula adopted by the Idaho Legislature. The System is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to approval by the Idaho Legislature.

The FRF covers a closed group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under the PERSI Plan.

Funding Policy

Contributions and Vesting

The System's funding policy for the PERSI Plan and FRF, as defined by Idaho law, provides for periodic employer contributions at actuarially determined rates, that expressed as percentages of annual covered payroll are sufficient to accumulate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the Entry Age Actuarial Funding Method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The System amortizes the unfunded liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code, Section 59-1322, is 25 years. The payroll for employees covered by the PERSI and FRF was approximately \$1,543,000,000 and \$27,600,000, respectively.

The State's PERSI Plan contributions required and paid were \$62,194,310, \$60,377,327, and \$58,667,381 for the years ended June 30, 1997, 1996, and 1995, respectively.

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Actuarial valuations of the PERSI Plan are performed annually. The last valuation of the PERSI Plan was performed as of July 1, 1997. Actuarial valuations of the FRF are performed bi-annually. The last FRF valuation was performed as of July 1, 1996.

Normal cost is 14.95% of covered payroll and the amount available to amortize the unfunded actuarial liability is 3.83% of covered payroll for the PERSI Plan. There is no normal cost associated with FRF and all contributions to FRF are available to reduce the unfunded actuarial liability. The contribution rates for the year ended June 30, 1997, are as follows:

<u>Employee Group</u>	<u>Employer</u>	<u>Employee</u>
General	11.61%	6.97%
Police and Fire	11.85%	8.53%
Certain Employees of Higher Education	3.03%	N/A

FRF employer and employee contribution rates for firemen hired before October 1, 1980, are 24.05% and 2.92%, respectively, in addition to the PERSI Plan Police and Fire rates shown above. The employer contribution rate for firemen hired after October 1, 1980, is 15.40%, in addition to the PERSI Plan Police and Fire rates shown above.

In September 1997, the Retirement Board approved a temporary rate reduction for PERSI employers and members. Effective for salaries paid on or after November 1, 1997, through October 31, 1998, the PERSI Plan will reduce the contribution rates for all employers and employees. The contribution rates for this period are as follows:

<u>Employee Group</u>	<u>Employer</u>	<u>Employee</u>
General	9.77%	5.86%
Police and Fire	10.01%	7.21%

After five years of credited service, (five months for elected or appointed officials), members become fully vested in retirement benefits earned to date. Upon termination of employment, accumulated member contributions plus interest, accrued at 5.0% to 5.25% (5.5% after June 30, 1997) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Funding

Contributions from members and employers and earnings from investments fund the PERSI Plan and FRF benefits. Additional FRF funding is obtained from receipts from a fire insurance premium tax. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined, by state law, as a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial

STATE OF IDAHO
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valuations and are subject to the approval of the Retirement Board and set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas and employee groups of the PERSI Plan and FRF.

Costs of administering the plans are financed through the contributions and investment earnings of the System.

Idaho Super Saver – 401(k) Plan

Organization and Purpose

The Idaho Super Saver – 401(k) Plan is a qualified 401(k) defined contribution pension plan, open to all employees of the State of Idaho. Statutes governing this Plan are Idaho Code, Title 59, Chapter 13. The Plan is organized to provide investment management services to state employees.

The administrator of this Plan is the Public Employee Retirement System of Idaho (the System). The System has entered into a contract with Scudder, Stevens & Clark, Inc. (Scudder), the Plan custodian and recordkeeper, for services relating to eight investment options managed by Scudder. These options include a U.S. Treasury Money Mutual Fund, an Income Mutual Fund, and six equity mutual funds. Participants direct their investment mix without restriction and may elect to change their salary deferral every pay period.

No retirement plan provisions changed during the year that affected the employees' selected contributions.

Benefits

Benefits depend solely on amounts contributed to the Plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the 401(k) contracts.

Membership

As of June 30, 1997, the Plan had 87 employer units eligible to have participating employees and 1,870 actual participants in the 401(k) Plan.

Contributions

The 401(k) Plan currently allows participants to make tax-deferred contributions at 1% – 20% of their gross salary. Participants contributed \$2,348,356 during the year ended June 30, 1997. There are no employer contributions to the Plan.

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Judges' Retirement Plan (JRP)

Plan Description

Organization and Purpose

The Judges' Retirement Plan (JRP) is a single-employer defined benefit retirement plan, which provides retirement benefits for Justices of the Supreme Court, Court of Appeals Judges, and District Court Judges, hereinafter referred to as "members." The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the JRP. In its administration and management of investments, the JRP is guided by the Prudent Man Investment Act and the Idaho Code, Sections 68-501 through 68-506. The JRP is also governed in its fiduciary responsibility by the Idaho Code, Section 59-1301, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments. Statutes governing the JRP are Idaho Code, Title 1, Chapter 20.

The Judges' Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership

As of June 30, 1997, the JRP had 42 retired members or beneficiaries collecting benefits, 11 terminated members entitled to, but not yet receiving benefits, and 44 active members.

Benefits

The benefit structure is based on members' years of service and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members. The benefit payments for the JRP are calculated using a benefit formula adopted by the Idaho Legislature. For the first 10 years of service, benefits are credited at 4% per year of members' compensation. For the next nine years of service, benefits are credited at 2 ½% per year of members' compensation. The maximum benefit is 62 ½% of compensation.

Funding Policy

Contributions and Vesting

Members and the Judicial Department contribute to the JRP during their first 20 years of employment. Member and department contributions are a percentage of member compensation as defined by state law. Contributions provide for department and member contributions at 7% and 6%, respectively, of annual covered payroll for the year ended June 30, 1997. The payroll for members covered by the JRP was approximately \$3,611,367. In addition, specified court filing fees in civil court actions are dedicated to the JRP.

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the JRP prior to four years of service, the member's contributions plus 6 ½ % per annum will be returned. Members are eligible for retirement benefits upon attainment of the age 65 or 20 years of service.

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Funding

The JRP's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees.

The funding status and required contribution levels are reviewed periodically by an actuary using the Entry Age Normal Cost Method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. Actuarial valuations of the JRP are performed bi-annually. The last valuation was performed as of July 1, 1997.

Costs of administering the JRP are financed through the contributions and investment earnings of the JRP.

College and University Optional Retirement Plan (ORP)

Organization and Purpose

Effective July 1, 1990, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan (ORP), a defined contribution plan, for college and university faculty and exempt employees. Vendor options include Teachers' Insurance and Annuity Association, College Retirement Equities Fund and Variable Annuity Life Insurance Company.

Membership

New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payrolls. The State of Idaho determines employer contributions. Although enrollees in the ORP no longer belong to PERSI, the employer is required to contribute 3.03% of the annual covered payroll to PERSI through July 1, 2015. During the year ended June 30, 1997, this supplemental funding payment made to PERSI was \$2,521,849.

The contribution requirement and amount paid for the year ended June 30, 1997, was \$11,888,758, which consisted of \$6,089,939 from the universities and \$5,798,819 from employees. These contributions represented approximately 7.30% and 6.97% of covered payroll, respectively.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 62 years of age.

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Postretirement Benefits Other Than Pensions - Sick Leave/Insurance Reserve Fund

In addition to the pension benefits previously described, school districts and state agencies provide for the payment of certain postretirement health insurance premiums. The Sick Leave/Insurance Reserve Fund is a postretirement benefit that is not part of a defined benefit plan but is a separate, statutorily provided benefit available to all employees eligible for sick leave accrual.

The Public Employee Retirement System of Idaho (the System) acts as an agent for this agency fund on behalf of the employers, who fund the program by remitting a percentage of payroll to the System to cover future insurance premiums. The funds are remitted to the sick leave fund, which is presented as an agency fund in the State of Idaho's financial statements.

Statutes governing these programs are Idaho Code, Sections 67-5339, 33-1216, and 33-1228, which provide for the transferring of amounts from the sick leave agency fund to a retiree's sick leave account for the payment of postretirement health benefits as may be maintained by the employer. The amount transferred is determined on an individual employee basis and is calculated as one-half of their sick leave balance up to a certain maximum multiplied by their rate of pay at the time of retirement.

School District Employees – For school district employees, the unused sick leave amount available for benefit is based on one-half of their sick leave balance and rate of compensation at retirement.

State Employees – State employees are limited to the number of allowable hours of sick leave they may use as part of the unused sick leave program as follows:

<u>Credited Hours of State Service</u>	<u>Maximum Allowable Sick Leave Hours</u>
0 - 10,400 (0-5 years of service)	192
10,401 - 20,800 (5-10 years of service)	240
20,801 - 31,200 (10-15 years of service)	288
31,201+ (15 years of service or more)	336

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Presented below is pertinent actuarial information:

	<u>State</u>	<u>School Districts</u>	<u>Total</u>
Active Participants	41,235	16,002	57,237
Contributions Required and Paid	\$7,179,769	\$14,971,173	\$22,150,942
Rate of Contribution	.65%	1.15%	
Total Net Assets Available for			
Future Payments	\$25,400,000	\$39,700,000	\$65,100,000
Unfunded Actuarial Liability	\$9,800,000	\$35,100,000	\$44,900,000
Actuarially Accrued Liability	\$35,200,000	\$74,800,000	\$110,000,000

Postretirement health insurance benefits are advance-funded with employer contributions on an actuarially determined basis, using the Entry Age Normal Cost Actuarial Cost Method. Postretirement health insurance premiums are paid from the employee's sick leave account until the account balance is exhausted.

NOTE 5. TAX ANTICIPATION NOTES

Idaho Code, Title 63, Chapter 32, authorizes the State Treasurer, on approval of the State Board of Examiners, to borrow money in anticipation of income or revenue from taxes. Such borrowing is for the current year only and is limited to no more than 75% of the income or revenue which is reasonably anticipated to be collected during the current fiscal year.

External Tax Anticipation Notes sold on the open market were issued on July 3, 1996, in the principal amount of \$300,000,000. These notes were redeemed on June 30, 1997. The interest expense incurred and paid was \$13,425,000.

Internal Tax Anticipation Notes (issued by the general fund to borrow from other available state funds or accounts) were issued during fiscal year 1997, as follows:

<u>Amount Issued</u>	<u>Date Issued</u>	<u>Date Redeemed</u>
\$55,000,000	4-30-97	6-27-97
\$100,000,000	6-12-97	6-27-97
\$5,000,000	6-12-97	6-27-97

Idaho Code, Section 67-1210 states interest on investments, unless specified by law, shall be deposited to the general fund. Therefore, in effect, no interest was paid on the Internal Tax Anticipation Notes issued.

STATE OF IDAHO
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NOTE 6. RISK MANAGEMENT AND GROUP INSURANCE

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance Funds (Internal Service Funds).

The Risk Management Fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by the Group Insurance and State Insurance funds.

General liability claims are self-insured up to the Idaho Tort Claims Act maximum of \$500,000 for each claim. Property damage claims are self-insured for up to \$100,000 per claim, not to exceed \$750,000 annually. Comprehensive collision and physical damage to covered vehicles are self-insured for replacement cost. The State purchases commercial insurance for claims not self-insured by the above coverages and for all other identified risks of loss, including workers' compensation insurance.

The State purchases its workers' compensation insurance from the State Insurance Fund (Proprietary Fund). The State Insurance Fund limits its risk retention of each policy issued through reinsurance. Reinsurance coverage is limited to a maximum of \$2,000,000 on any one life. Ceded reinsurance is treated as the risk and liability of the assuming companies. A catastrophic reserve of \$6,000,000 of the State Insurance Fund's surplus has been reserved by Idaho Code, Section 72-911 to cover catastrophic and other unanticipated losses.

The Group Insurance Fund is used to account for and finance life, health, and disability insurance programs. Long-term disability benefits within Group Insurance are self-insured. The liability for self-insurance claims has been actuarially determined and is presented as policy claim liabilities in the Group Insurance Fund. Life and health insurance programs are experience rated and fully insured. However, when the claims exceed 100% of the annual premium paid to the insurer, the State would be responsible for up to an additional 9% of the annual premiums for health and 10% of the annual premiums for the life coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. The amount the State is responsible for is accounted for and presented as reserved retained earnings in the Group Insurance Fund. The State also maintains program and premium stabilization balances in the catastrophic event they exhaust reserved equity. These amounts are accounted for and presented as designated retained earnings in the Group Insurance Fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management Fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance Fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claims settlements for either fund have not exceeded insurance coverage during fiscal years 1995, 1996, or 1997.

The liabilities for the Risk Management and Group Insurance Funds for the State are based on the requirements of the Governmental Accounting Standards Board's Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and

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the amount of the loss can be reasonably estimated. Liabilities for Risk Management include claim adjustment costs, any anticipated subrogation receipts, and are presented at their present value using a 6% discount interest rate. The following table presents changes in policy claim liabilities for the fiscal years ending June 30, 1996, and June 30, 1997:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimate</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
Risk Management				
1996	\$10,273,768	\$3,625,429	(\$2,935,198)	\$10,963,999
1997	\$10,963,999	\$3,175,300	(\$3,056,166)	\$11,083,133
Group Insurance				
1996	\$11,688,134	\$1,085,475		\$12,773,609
1997	\$12,773,609	\$2,426,986		\$15,200,595

NOTE 7. INTERFUND TRANSACTIONS

The State does not eliminate interfund transactions but does make eliminating entries for intrafund operating transfers. The State has the following types of interfund transactions:

Quasi-external Transactions are charges for services rendered by one fund to another, treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements of expenditures or expenses made by one fund for another are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the reimbursement fund.

Operating (Statutory) Transfers are legally authorized cash transfers reported as operating transfers. Transfers from the General Fund are transfers of appropriated or diverted tax revenues. The following is a schedule of operating transfers:

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Operating Transfers

Fund	Transfers In	Transfers Out
General Fund	\$834,570,031	\$989,492,302
Special Revenue Funds		
Health & Welfare	230,531,917	376,730
Transportation	803,049	12,355,985
Federal	162,422	6,286,356
Regulatory	6,387,788	50,601,663
Agriculture and Natural Resources	50,001	2,696,817
Miscellaneous	19,533,858	223,195
Enterprise Funds		
Liquor Dispensary		8,295,000
State Lottery		20,000,000
Internal Service Funds		
General Services		1,697,859
Group Insurance		7,499
Risk Management		7,500
Expendable Trust Fund		
Unemployment Compensation	4,421	2,581
Total Operating Transfers	<u>\$1,092,043,487</u>	<u>\$1,092,043,487</u>

NOTE 8. LEASE COMMITMENTS

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases are leases for which the State will not gain title to the asset; therefore, the lease agreements are not reflected as assets in the State's balance sheet. They contain various renewal options, as well as some purchase options. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition, the assets are valued on the balance sheet at the present value of the future minimum lease payments. Assets under capital leases originating in governmental funds are recorded in the General Fixed Assets Account Group. The capital lease obligations for capital

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leases originating in governmental funds are recorded in the General Long-Term Debt Account Group. Capital lease obligations for proprietary fund types are reported in the respective funds as long-term obligations. Interest expense is not capitalized.

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 1997, are as follows:

Future Minimum Lease Commitments

Fiscal Year	Operating Leases				Capital Leases			
	Governmental Funds	Proprietary Funds	Colleges and Universities	Total Operating Leases	Long-Term Debt Account Group		Colleges and Universities	Total Capital Leases
1998	\$19,699,611	\$1,307,048	\$14,001	\$21,020,660	\$599,817	\$418,484	\$1,231,021	\$2,249,322
1999	19,331,767	1,132,489	14,001	20,478,257	583,817	413,428	877,267	1,874,512
2000	18,555,083	1,082,391	14,001	19,651,475	549,907	354,652	627,107	1,531,666
2001	17,770,435	686,694	14,001	18,471,130	473,692	248,795	452,594	1,175,081
2002	17,985,889	408,073	14,001	18,407,963	299,736		452,842	752,578
Thereafter	45,227,321	627,908	168,012	46,023,241	3,637,120		6,743,257	10,380,377
Total Payments	\$138,570,106	\$5,244,603	\$238,017	\$144,052,726	6,144,089	1,435,359	10,384,088	17,963,536
Less:								
Imputed Interest					2,441,371	117,121	4,596,906	7,155,398
Total Present Value of Minimum Lease Payments					\$3,702,718	\$1,318,238	\$5,787,182	\$10,808,138

At June 30, 1997, assets under capital leases totaled \$15,231,959 and are included in buildings and equipment. The schedule below is an analysis of assets under capital leases as of June 30, 1997:

	General Fixed Assets Account Group	Proprietary Funds	Colleges and Universities	Total Capital Leases
Buildings	\$2,275,463		\$5,458,877	\$7,734,340
Equipment	1,938,905	1,693,551	3,865,163	7,497,619
Total Capital Leases	\$4,214,368	\$1,693,551	\$9,324,040	\$15,231,959

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. BONDS AND NOTES PAYABLE

A. Primary Government

The Idaho Building Authority issues notes and bonds to finance construction or acquisition of facilities for lease to the State subject to prior legislative approval. Bonds payable, in thousands, are:

Bond Description	Maturity Dates	Interest Rates	Principal at June 30, 1997	Interest	Total
1988 Series A Revenue Bonds	1989 to 1998	5.50% to 6.70%	\$1,075	\$18	\$1,093
1992 Series A Refunding Revenue Bonds	1993 to 2002	2.80% to 5.40%	5,174	782	5,956
1992 Series B Refunding Revenue Bonds	1993 to 2006	2.80% to 5.75%	2,770	795	3,565
1992 Series C Refunding Revenue Bonds	1993 to 2007	2.70% to 5.85%	23,771	8,895	32,666
1992 Series D Revenue Bonds	1993 to 2012	3.50% to 6.20%	2,719	1,493	4,212
1992 Series E Revenue Bonds	1993 to 2012	4.15% to 6.13%	7,625	3,775	11,400
1994 Series Revenue Bonds	1995 to 2008	3.75% to 5.90%	2,800	1,000	3,800
1995 Series Revenue Refunding Bonds	1996 to 2001	3.70% to 4.40%	5,176	482	5,658
Total Bonds Payable			\$51,110	\$17,240	\$68,350

Sinking fund requirements, in thousands, for the fiscal years subsequent to June 30, 1997 are as follows:

Bond Description	1998	1999	2000	2001	2002	Thereafter	Total
1988 Series A Revenue Bonds	\$1,093						\$1,093
1992 Series A Refunding Revenue Bonds	990	\$993	\$992	\$993	\$995	\$993	5,956
1992 Series B Refunding Revenue Bonds	355	354	358	355	357	1,786	3,565
1992 Series C Refunding Revenue Bonds	1,710	2,814	2,818	2,811	2,815	19,698	32,666
1992 Series D Revenue Bonds	263	263	262	265	263	2,896	4,212
1992 Series E Revenue Bonds	739	738	736	738	738	7,711	11,400
Series 1994	320	317	317	317	316	2,213	3,800
Revenue Refunding Bonds Series 1995	1,221	1,213	1,212	1,203	809		5,658
Total Bonds Payable	\$6,691	\$6,692	\$6,695	\$6,682	\$6,293	\$35,297	\$68,350

All bonds referred to above are direct obligations of the Authority payable from and secured by a pledge of lease revenues and other funds and reserves held under the bond resolutions. Additionally, payment of the principal and interest of the 1987 Series A Refunding Bonds, the 1988 Series A Revenue Bonds and the 1992 Series C Refunding (Deferred interest) Bonds are guaranteed by a municipal bond insurance policy. The Authority has surety bonds in amounts up to the reserve requirements for the State Building Revenue Refunding Bonds 1992 Series A, 1992 Series B, and 1995, as well as, the State Building Revenue Bonds 1992 Series D, 1992 Series E, and 1994. No amounts were outstanding at June 30, 1997 or 1996, under these surety bonds.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

The Authority has defeased \$15,254,300 of 1978 Series A Bonds by placing governmental securities into an irrevocable trust that is sufficient to provide for all future debt service payments on these bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance. The remaining outstanding debt payable by the trust as of June 30, 1997, was \$11,556,600.

The State's colleges and universities have entered into a number of long-term debt obligations for the purpose of funding various projects. The schools have the following debt, in thousands, secured by land, equipment, and student fees:

Bonds Payable	Maturity Dates	Interest Rates	Balance at June 30, 1997
Series A	2004	3.63%	\$355
Series 1992	2002 to 2014	4.75% to 6.40%	29,605
Series 1993	2005 to 2017	4.40% to 5.50%	11,525
Series 1994	2001 to 2019	4.10% to 6.50%	20,820
Series 1995	2020	4.65% to 5.80%	6,115
Series 1996	1997 to 2013	4.10% to 5.85%	30,400
Series 1997	1997 to 2022	4.20% to 6.85%	28,030
Total Bonds Payable			<u>126,850</u>
Notes Payable			
Unsecured	8/12/1997	6.60%	811
Secured by Land and Buildings	12/22/1997	8.40%	3
Unsecured	1997	5.10% to 7.65%	555
Secured by Future Revenues	7/20/1999	8.20%	35
Secured by Future Revenues	2004	5.43%	431
Unsecured	2010	3.00%	131
Unsecured	9/1/2016	5.14%	4,665
Other notes payable through the year 2017 with interest rates ranging from 5% to 10%			<u>2,210</u>
Total Notes Payable			<u>8,841</u>
Total Bonds and Notes Payable			<u>\$135,691</u>

There are a number of limitations and restrictions contained in the various bond indentures.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Principal maturities on notes and bonds payable, in thousands, for future years ending June 30 are as follows:

Years	Principal Payable
1998	\$5,110
1999	5,615
2000	5,946
2001	6,352
2002	6,331
Thereafter	<u>106,336</u>
Total	<u><u>\$135,691</u></u>

On February 1, 1997, the University of Idaho issued \$1,550,000 in taxable general obligation bonds with an average interest rate of 6.5% and \$12,380,000 in tax-exempt general obligation bonds with an average interest rate of 5.3%. The purpose of the bond issues was to redeem the outstanding 1987 Series and advance refund a portion of the 1992A Series and the 1992B Series. The net proceeds of approximately \$1.5 million (after payment of \$45,634 in underwriting fees, insurance and other issuance costs) were paid to the trustee to redeem the 1987 Series Bonds. The net proceeds of approximately \$12.2 million (after payment of \$197,946 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Treasury securities (State and Local Government Series). These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$4,515,000 principal of 1992A Series Bonds and \$6,810,000 principal of 1992B Series Bonds. As a result, these amounts are considered to be defeased and the liability has been removed from the bonds payable of the University.

The University of Idaho redeemed the 1987 Series Bonds and advance refunded a portion of the 1992A and 1992B Series Bonds to reduce its total debt service payments over the next 19 years by approximately \$396,000. This produced an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$444,000.

At June 30, 1997, debt in the amount of \$22,999,000 for the University of Idaho (including amounts discussed above) is considered extinguished through refunding of prior issues by a portion of current issues. Sufficient proceeds were invested in government securities and placed in escrow to assure timely payments of the maturities of those prior issues. Neither the debt nor the escrowed assets are reflected in the financial statements.

The University of Idaho has an unsecured revolving line-of-credit with a bank for the purchase of real property, equipment, and other capital expenditures. The University may borrow at a variable or fixed rate based on the five-year U.S. Government Treasury Note Index less 1.6%. The minimum interest rate is 5.0%, and interest is due monthly on any outstanding balance. The maximum available line is \$500,000 with \$349,843 in outstanding borrowings at June 30, 1997.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

On January 1, 1997, Boise State University issued \$14,115,000 in tax-exempt general obligation bonds with an average interest rate of approximately 4.8%. The purpose of the bond issuance was to advance refund the outstanding 1987 Series Student Fee Refunding Revenue Bonds. The net proceeds of approximately \$13.9 million (after payment of \$269,619 in underwriting fees, insurance and other issuance costs) and approximately \$1.1 million in other university funds were used to purchase U.S. Treasury Securities (State and Local Government Series). These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$14,560,000 principal of 1987 Series Bonds. As a result, these amounts are considered to be defeased and the liability has been removed from the bonds payable of the University.

Boise State University advance refunded the 1987 Series Bonds to reduce its total debt service payments over the next 14 years by approximately \$3.3 million to obtain an economic gain (the difference between the present values of the debt service payments on the old debt and the debt service payments on the new debt and the deposit of the \$1.1 million referred to above) of approximately \$2.1 million.

At June 30, 1997, debt in the amount of \$21,832,500 for Boise State University (including amounts discussed above) is considered extinguished through refunding of prior issues by a portion of the current issues. Sufficient proceeds were invested in government securities and placed in escrow to assure timely payments of the maturities of those prior issues. Neither the debt nor the escrowed assets are reflected in the financial statements.

B. Component Units

Idaho Housing and Finance Association (IHFA) bonds were issued to provide sources of capital for housing persons of low or moderate incomes. The bonds are secured by mortgages, and repayments are made from the mortgage proceeds. Bonds payable, in thousands, are:

Bond Types	Delivery Dates	Due Dates	Bond Yield	Amount
Single-Family Mortgage Purchase Bonds	3/78 to 3/83	1980 to 2015	5.73% to 9.52%	\$10,260 *
Single-Family Mortgage Bonds	4/88 to 6/97	1990 to 2028	5.37% to 8.27%	1,061,165 *
FHA Insured Housing Revenue Bonds	12/86 to 9/95	1987 to 2036	6.50% to 8.44%	18,510
Insured Section 8 Assisted Housing Bonds	7/77 to 6/79	1980 to 2021	5.75% to 6.80%	21,245 *
Multifamily Housing/Refunding Bonds	5/94	1995 to 2024	6.57% to 8.03%	39,145
General Obligation Bonds	3/90 to 3/94	1991 to 2004	5.00% to 6.60%	3,730
Interest Payable				35,137
Total				<u>\$1,189,192</u>

*The Idaho Legislature has authorized a continuing appropriation from the Idaho state sales tax account to the extent it is necessary to restore a deficiency in the Capital Reserve Funds. The Capital Reserve Funds were established out of the proceeds of the previously identified bonds

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

and are security for those bonds. As shown in the June 30, 1997, financial statements of IHFA, the bonds currently backed by the capital reserve fund totaled \$74,560,000. The total principal amount of the bonds outstanding that are secured by a capital reserve fund and are entitled to a continuing appropriation from the state sales tax account shall not exceed \$89,000,000.

Below is a schedule of IHFA principal debt maturities, in thousands, (not including interest payable) for the fiscal years subsequent to June 30, 1997:

Bonds	1998	1999	2000	2001	2002	Thereafter	Total
Single-Family Mortgage Purchase Bonds	\$1,475	\$860	\$950	\$985	\$1,030	\$4,960	\$10,260
Single-Family Mortgage Bonds	55,610	20,848	28,170	30,749	31,201	894,587	1,061,165
FHA Insured Housing Revenue Bonds	174	180	191	194	197	17,574	18,510
Insured Section 8 Assisted Housing Bonds	610	640	685	725	775	17,810	21,245
Multifamily Housing/Refunding Bonds	605	685	765	835	910	35,345	39,145
General Obligation Bonds	110					3,620	3,730
Total	\$58,584	\$23,213	\$30,761	\$33,488	\$34,113	\$973,896	\$1,154,055

Each bond issue is secured by the pledge of repayments of mortgage loans purchased with the bond proceeds and of all revenue earned relating to those bonds.

Serial bonds and term bonds are subject to redemption at the option of the Association and subject to the terms of the respective bond indenture or bond resolution, in whole or in part, on various dates at prescribed redemption prices ranging from 100 to 103 percent. The bonds are also subject to special redemption from (i) unexpended proceeds of the bonds not committed to purchase mortgage loans, (ii) forfeited commitment fees, and (iii) early recoveries of principal and pledged receipts at any time.

Cash payments for interest for the year ended June 30, 1997 were \$64,313,000.

IHFA also holds commercial paper in the amount of \$15,000,000. This provides funds to purchase single-family mortgage bonds on an interim basis, as well as, financing multifamily construction loans. Maturities range from nine to 74 days.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 10. GRAND PRIZES RECEIVABLE AND PAYABLE

The State Lottery participates in a Multi-State Lottery Association (MUSL). Concurrent with the grand prize awards, MUSL purchased annuities to settle each of the grand prize obligations. The annuities were purchased at a discount from the total value of future payments. The discount is amortized over the 19-year life of the underlying annuity. Outstanding grand prizes have been claimed as follows:

Date Claimed	Amount Claimed
February, 1990	\$2,000,000
January, 1991	\$7,280,000
February, 1992	\$12,323,201
November, 1992	\$22,189,840
December, 1993	\$1,000,000
June, 1994	\$3,109,726
December, 1994	\$3,666,267
June, 1995	\$87,585,067
January, 1997	\$48,288,730

In each instance, the winner is paid one-twentieth of the prize amount in the first year and receives 19 equal annual installments comprising the balance.

The following sets forth the remaining payments required under the grand prize obligations:

Fiscal Year Ending June 30	Amount
1998	\$9,370,000
1999	9,370,000
2000	9,370,000
2001	9,370,000
2002	9,370,000
2003 and Thereafter	<u>111,041,000</u>
	157,891,000
Amount Representing Interest	<u>(63,898,990)</u>
Total	<u>\$ 93,992,010</u>

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 11. CHANGES IN GENERAL LONG-TERM DEBT

The changes in the General Long-Term Debt Account Group for the fiscal year ended June 30, 1997, are summarized as follows:

	Balances at July 1, 1996 (as restated)	Increases	Decreases	Balances at June 30, 1997
Capital Leases	\$251,055	\$3,751,459	\$299,796	\$3,702,718
Compensated Absences	26,091,699	109,236		26,200,935
Notes, Bonds, and Contracts Payable	55,010,000		3,900,000	51,110,000
Totals	<u>\$81,352,754</u>	<u>\$3,860,695</u>	<u>\$4,199,796</u>	<u>\$81,013,653</u>

Compensated absences are classified in Accounts Payable and Other Liabilities on the Combined Balance Sheet – All Fund Types, Account Groups and Discretely Presented Component Units.

NOTE 12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The following enterprise funds are intended to be self-supporting through sales and user fees charged for various services to the general public, state, and other governmental entities:

Correctional Industries - provides employment for the inmates of the Department of Correction by producing and selling a wide range of products to wholesalers and state agencies.

Liquor Dispensary - controls the sale and distribution of liquor products in the State.

State Lottery - accounts for the operation of a state lottery to generate revenues for state buildings and public schools.

Petroleum Clean Water Trust - insures owners and operators of eligible petroleum storage tanks in the State for the cost of cleaning up releases of petroleum products and any resulting bodily injury or property damage suffered by third parties.

State Insurance Fund - provides workers' compensation insurance to private and public employers and is financed through employers' premiums.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Segment information for these enterprise funds is summarized below:

	Enterprise Funds Segment Information					Total
	Correctional Industries	Liquor Dispensary	State Lottery	Petroleum Clean Water Trust	State Insurance Fund	
Operating Revenues	\$6,131,209	\$55,805,616	\$87,646,154	\$88,063	\$130,888,199	\$280,559,241
Depreciation	186,978	29,269	722,163	3,990	643,091	1,585,491
Operating Income (Loss)	815,425	5,637,154	18,408,443	(1,180,870)	3,789,374	27,469,526
Operating Transfers Out		(8,295,000)	(20,000,000)			(28,295,000)
Net Income (Loss)	878,034	(2,327,601)	(1,591,557)	1,071,948	35,521,232	33,552,056
Property, Plant, and Equipment:						
Net Increase (Decrease)	495,815	28,862	(136,582)	(2,562)	(160,580)	224,953
Net Working Capital	1,703,882	4,405,460	14,344,723	36,724,813	309,674,967	366,853,845
Total Assets	4,303,200	10,199,886	117,776,923	37,881,369	403,343,181	573,504,559
Bonds and Other Long-Term Liabilities			84,622,010	5,364,625	144,966,095	234,952,730
Total Equity	3,904,709	4,567,237	17,779,399	31,408,344	174,528,104	232,187,793

NOTE 13. LITIGATION

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. It is not possible, at the present time, to estimate the ultimate outcome or liability, if any, of the State in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material adverse effect on the financial condition of the State.

In ISEEO, et al. v. Evans, et al., the plaintiffs allege that the current public school system does not provide a "thorough" education as required by the Idaho Constitution. Plaintiffs allege that approximately \$700 million to \$1 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed twice by the district court and twice the Idaho Supreme Court has reversed the district court. The district court is considering the State's motions to dismiss or to grant summary judgment.

The State vigorously contests both the allegations that Idaho's public school system is not thorough and the alleged costs asserted by the plaintiffs. However, if the plaintiffs were ultimately successful, the Legislature would need to address the declaratory judgment requiring substantial expenditures by either raising revenues or reallocating expenditures.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 14. CONTINGENCIES

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of federal audits. The opinion of the State is that of these refunds, if any, will not have a significant effect on the financial position of the State.

Idaho Life and Health Insurance Guaranty Association has not assessed or accrued for all potential shortfalls for several insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of future unrecorded shortfalls at this time is approximately \$12,000,000. Assessments of the shortfall will be made in future periods as amounts become due.

NOTE 15. COMMITMENTS

The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenditures. Accordingly, approximately \$2.6 million of outstanding purchase orders and purchase commitments are encumbered by PERSI but not reported in the general purpose financial statements.

PERSI has entered into a contract with vendors to implement a new information system. The total remaining purchase commitment related to these contracts over three fiscal years, including the amounts encumbered above, is approximately \$7,000,000.

The State Lottery has contracted with GTECH, Inc., to install and operate the on-line lottery system. The contract, which was amended on August 6, 1997, expires June 30, 2000. Effective October 1, 1995, the State Lottery agreed to pay GTECH, Inc. 7.0% of gross, weekly on-line ticket sales and \$6,000 per week for services related to the instant ticket validation system. The State Lottery paid \$2,142,055 and \$2,118,978 to GTECH, Inc. for the years ended June 30, 1997 and 1996, respectively.

The Department of Fish and Game has contracted with GTECH, Inc., to install and operate the point of sale machines for sportsmen licensing. The total remaining purchase commitment related to this contract is \$971,604.

The Department of Administration estimates there will be approximately \$13,174,370 of additional costs to complete state buildings and other assets currently under construction.

The Idaho State University entered into a real estate agreement with an unrelated entity in March 1995. The transaction was to occur in two phases. The counterparty was to pay the University \$780,000 in exchange for land owned by the University. The receipt of this payment was reported in fiscal year 1995 as an "other addition" in the statement of changes in the fund balances. The second phase of the agreement required the University to pay the counterparty \$925,000 in exchange for a building owned by the counterparty. This was scheduled to occur at

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

the earlier of 30 days following the construction of the facility on the property exchanged in phase one by the counterparty, or 24 months following the phase one closing (March 1997). Due to damage caused by a lightning storm, the phase two date has been extended to January 1, 1998.

NOTE 16. RESTATED BEGINNING BALANCES

During fiscal year 1997, additional information became available that required the restatement of fund equity amounts. Also, during the fiscal year ended June 30, 1997, the State re-examined the Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity". This has resulted in several changes to the State's reporting entity, and fund balances have been adjusted accordingly. As a result, the beginning balances of Cash and Cash Equivalents in the Combined Statement of Cash Flows – All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units decreased by \$4,779,001 in the enterprise funds, and by \$1,486,395 in the Component Units. The following is a summary of prior period adjustments, which were subsequently detected and reported in the accompanying financial statements for the year ended June 30, 1997:

Restated Beginning Balances

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	General Fixed Assets Account Group	General Long- Term Debt Account Group	Component Units
A	\$277,740,845	\$319,623,017	\$197,873,340	\$29,016,770	\$591,381,932	\$550,491,435	\$22,129,052	\$114,409,890
B		7,959,289	1,238,110			72,724,949	55,010,000	
C		7,953,368						(4,576,467)
D	(24,349,106)	(50,873,469)	(475,713)	21,705,184			4,213,702	
E					(11,642,910)			
F	<u>\$253,391,739</u>	<u>\$284,662,205</u>	<u>\$198,635,737</u>	<u>\$50,721,954</u>	<u>\$579,739,022</u>	<u>\$623,216,384</u>	<u>\$81,352,754</u>	<u>\$109,833,423</u>

- A. Beginning balances, as previously reported
- B. Change in classification of the Idaho Building Authority in accordance with GASB 14 and NCGS 5
- C. Change in classification in accordance with GASB 14
- D. Accounting corrections related to prior years
- E. Reclassification
- F. Beginning balances, as restated

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

**NOTE 17. SEGMENT INFORMATION FOR DISCRETELY PRESENTED
COMPONENT UNITS**

The State has two proprietary type component units. Component units are organizations, which are legally separate, but the State is ultimately financially accountable, or the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the State and governed by separate boards or commissions. The two component units are described in the following paragraphs:

The Idaho Housing and Finance Association. The Idaho Housing and Finance Association was created by the Idaho Legislature in Idaho Code, Title 67, Chapter 62 for the purpose of building and rehabilitating residential housing for persons of low income. The Governor appoints the Board. A financial benefit/burden relationship exists between the State and the Association. The Association is entitled to appropriation from the state sales tax account, up to a maximum of \$89,000,000, if necessary, to maintain the appropriate reserves as determined by Idaho Code. Also, in the event of the dissolution of the Association, any assets remaining after paying all obligations shall revert to the State. The Association is presented discretely as an enterprise fund. Their audit report, dated August 28, 1997, was previously issued under separate cover for the year ended June 30, 1997.

Idaho Life and Health Insurance Guaranty Association. The Idaho Life and Health Insurance Guaranty Association is a nonprofit organization authorized by the Idaho Life and Health Insurance Guaranty Association Act of 1977, Idaho Code, Title 41, Chapter 43. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies where the insurer becomes insolvent. The Act applies to direct and supplemental life and disability policies and annuity contracts. All insurance companies, which sell the type of insurance covered under the Act, are required to be members of the Association as a condition of their authority to transact insurance business in Idaho. The board members are selected by member insurers; however, the Director of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against its premium taxes to the extent of twenty percent (20%) of the amount of such assessment for each of the five (5) calendar years following the year in which the assessment was paid. An allowable offset, or portion thereof, not used in any calendar year cannot be carried over or back to any other year. This imposes a direct financial burden on the State. The Association is presented discretely as an enterprise fund. Their audit report, dated March 26, 1997, was previously issued under separate cover for the year ended December 31, 1996.

The following component unit financial statements include condensed information for the above component units:

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Balance Sheet
Component Units - Proprietary Funds
June 30, 1997

	Idaho Housing and Finance Association	Idaho Life and Health Insurance Guaranty Association	Total
Assets			
Cash and Cash Equivalents	\$28,502,000	\$228,926	\$28,730,926
Investments	285,033,000	13,869,955	298,902,955
Accounts Receivable, Net		66,485	66,485
Deferred Bond Financing Costs	15,678,000		15,678,000
Notes and Mortgages Receivable	993,772,000		993,772,000
Other Assets	1,255,000	2,855	1,257,855
Fixed Assets, Net	9,022,000	1,101	9,023,101
Total Assets	\$1,333,262,000	\$14,169,322	\$1,347,431,322
Liabilities and Equity			
Liabilities			
Accounts Payable and Other Liabilities	3,643,000	870,990	4,513,990
Deposits	15,982,000		15,982,000
Deferred Revenue		4,365	4,365
Notes, Bonds and Contract Payable	1,204,192,000		1,204,192,000
Policy Claim Liabilities		15,000	15,000
Total Liabilities	1,223,817,000	890,355	1,224,707,355
Equity			
Reserved for Bond Indentures	33,706,000		33,706,000
Unreserved	75,739,000	13,278,967	89,017,967
Total Equity	109,445,000	13,278,967	122,723,967
Total Liabilities and Equity	\$1,333,262,000	\$14,169,322	\$1,347,431,322

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Statement of Revenues, Expenses and Changes in Retained Earnings
Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 1997

	Idaho Housing and Finance Association	Idaho Life and Health Insurance Guaranty Association	Total
Operating Revenues			
Licenses, Permits and Fees	\$5,432,000	\$3,373,495	\$8,805,495
Sales of Services, Goods and Property		45,385	45,385
Interest and Other Investment Income	66,693,000		66,693,000
Miscellaneous Income	908,000	588,863	1,496,863
Total Operating Revenues	<u>73,033,000</u>	<u>4,007,743</u>	<u>77,040,743</u>
Operating Expenses			
Personnel Costs	3,929,000	91,820	4,020,820
General and Administrative	3,058,000	63,667	3,121,667
Insurance, Utilities and Rent		10,850	10,850
Depreciation	350,000	1,134	351,134
Awards, Contributions and Claims		653,607	653,607
Total Operating Expenses	<u>7,337,000</u>	<u>821,078</u>	<u>8,158,078</u>
Operating Income	<u>65,696,000</u>	<u>3,186,665</u>	<u>68,882,665</u>
Nonoperating Revenues (Expenses)			
Interest Income		656,879	656,879
Investment Income	15,358,000		15,358,000
Interest Expense	(69,820,000)		(69,820,000)
Other	(2,187,000)		(2,187,000)
Total Nonoperating Revenues (Expenses)	<u>(56,649,000)</u>	<u>656,879</u>	<u>(55,992,121)</u>
Net Income	<u>9,047,000</u>	<u>3,843,544</u>	<u>12,890,544</u>
Beginning Retained Earnings, As Adjusted	100,398,000	9,435,423	109,833,423
Ending Retained Earnings	<u>\$109,445,000</u>	<u>\$13,278,967</u>	<u>\$122,723,967</u>

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 18. SUBSEQUENT EVENTS

Subsequent to December 31, 1996, the fiscal year end for the State Insurance Fund (the Fund), the Governor signed into law House Bill No. 289. The law, effective March 24, 1997, resolved a 1995 ruling by the Idaho Supreme Court and provided that transfer fees collected by the Department of Revenue and Taxation (the Department) remitted to the Fund prior to August 1995, shall remain with the Fund. The law further provided for distribution to the Fund in April 1997 of \$3,239,132 (approximately 20% of the accumulated balance in the suspense account) representing the portion of fees derived from the transfer of non-highway related petroleum products. Subsequent to April 1, 1997, the Fund will be apportioned 20% of the transfer fees collected by the Department, which will be distributed to the Fund on a monthly basis thereafter.

Subsequent to June 30, 1997, the Idaho Housing and Finance Association issued Single-Family Mortgage Bonds 1997 Series F in the amount of \$30,000,000.

Subsequent to June 30, 1997, the Idaho State Building Authority purchased land for \$1,260,000 to be used for state government facilities.

Subsequent to June 30, 1997, pursuant to authority granted by the Idaho Legislature, in October 1997, the Idaho Board of Correction awarded a three-year contract to the Corrections Corporation of America (CCA) to build and operate a 1,250-bed prison facility. The building will be built upon land owned by the State and leased to the Idaho Building Authority. The completed building will be leased back to the State for the operation of the prison facility. The Idaho Building Authority will finance the construction project with State Building Revenue Bonds, Series 1998. The Bonds are expected to be offered for sale in February 1998, and proceeds from the sale are estimated to be \$65,000,000. The annual lease payment will equal approximately \$4,500,000 for 25 years. The operation of the prison is expected to begin in July 2000. The estimated operating costs for the three-year contract is \$52,600,000.